

Interview with Donor M. Lion

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DONOR M. LION

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Q: This is a June 97 interview with Donor M. Lion, who started with the Foreign Assistance program in 1952 and retired from AID in 1989. Let's start off, Donor, with where you're from and your early years in education and so on.

Early years and education

LION: Born in Manhattan about a century ago, lived in Brooklyn, went away to school at Harvard. Perhaps it's even more significant that I went to a high school called Erasmus Hall. Erasmus used to send more graduates who went to first class colleges and who won National Merit scholarships than any other public high school in the country. That was a real good sendoff. The college was good too, of course, and graduate school. I went to Buffalo for a year or two for my masters. I went back to Harvard for my Ph.D.

Q: What was your major field?

LION: Economics, economics, economics, economics. I had more economics courses than any previous students in the history of the college. The only reason for that was that I was lucky enough to do well enough in the SAT's English, not to have to take the required

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English course. So I had at least one more course in economics than anybody else ever had.

Q: Any particular emphasis in the economics?

LION: Back in those days, in the '40s, development was really not an academic discipline. I didn't know anything about development. Despite that, when a colleague of mine, with whom I had been teaching at Harvard, called me from Oslo, Norway in March of 52, said, "Would you like to come overseas and work in the Marshall Plan?" I said yes. I was also interviewed by the dean of the Harvard Kennedy School, Ed Mason. He asked me, "How do you measure development?" I hadn't the foggiest idea. The notion that per capita income might be a useful measure, never even occurred to me.

Q: Before we get to that, what was your major? What did you do your thesis on?

LION: Economics. I taught international trade, I taught money and banking, I taught principles, I taught business cycles.

Q: What did you write your thesis on?

LION: I wrote my thesis, Ph.D. thesis, The Relationship Between Changes In The US Federal Debt And Economic Activity Between 1790 And 1950. That had never been done before. This is probably the only reason why they accepted the thesis. It was not a particularly outstanding piece of work.

Q: But in those days, you weren't really thinking about international development?

LION: No. I was not thinking about foreign service, I was not thinking about international economic cooperation. It was just that Mark Leiserson, who had been a teaching colleague at Harvard, called me and that's what did it.

Q: So after you finished at Harvard, you went off to Oslo?

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LION: Yes. I should say that public service was always one of the strong options that I considered, working for the government. Teaching was another and being a doctor was a third. But medical school was out of my financial reach. I couldn't afford it and my parents couldn't. So it became teaching and public service.

First overseas assignment with Marshall Plan in Norway - 1952

Q: You went to Oslo in 1952?

LION: Yes. I think it was July 12. It was the first day of summer, and the last day of summer. It was the hottest day of the year. It was like 88, or something, Fahrenheit.

Q: What was your position?

LION: I was what was called a Trade and Payments Officer. My main responsibility was to estimate what the balance of payments deficit was. That would serve primarily as the basis for determining the size of the aid package. That continued for some time, two years actually.

Q: You wrote a note about your experience? Of course this was supposedly after the Marshall Plan was over, but basically the situation had not changed at that point?

LION: The meeting in Washington, a reunion of Marshall Plan participants, the 50th anniversary, emphasized that it was over in December '51 and that it cost only 13 billion dollars. Both of those assertions strike me as misleading because, after 1951, the goals of the Marshall Plan were important in calculating what assistance to offer, and what kind of assistance to offer. For many, if not most of the countries which were recipients of Marshall Plan aid, the goals were still there, because their economies were still in trouble, the balance of payments was still in disequilibrium for many of these countries, France was the sick man of Europe in the early '50s. England and Germany made remarkable balance of payments recoveries but that may have been mostly because of the

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devaluation of the pound. I can't explain the German experience but infrastructures were still in dire trouble in many of these countries. The popular thing to do, apparently, was to compare industrial production in 1951 with what it was before the war. Well, we know that comparisons can yield very peculiar results if you pick a bad year and pre-war Europe was not in good shape. So that by December '51, some six years after the war was over, the recovery of industrial production was impressive. So it looked like the Marshall Plan was most successful.

The Marshall Plan was a wonderful thing for many reasons. And maybe, perhaps, the least important was the actual economic assistance that was transferred. The consequences of the Marshall Plan on European attitudes towards each other working together, the European Union, the European payments union, and the current situation. All of that can be traced, in part, to the Marshall Plan. That, it seems to me, should be more significant than the 13 billion.

Another thing that bothered me about the "4 years, 13 billion," it tended to give people the idea that you could do these remarkable things in a short period of time, and for not very much money. There are two reasons why the "not very much money" is a little bit odd. If you put it in today's prices it looks more like 90 billion dollars. But beyond that, assistance continued to support Marshall Plan objectives in several countries for some years after '51.

So you really shouldn't talk about 13 billion. You should talk about, I don't know how much, perhaps as much as 17, 18, 19 billion which would then take the total, in current prices, to over 100 billion dollars.

So this jazzing up, unnecessarily, in my opinion, the results and the accomplishments of the Marshall Plan tended to promote the idea that you could accomplish marvelous economic change to improve growth and development in a short period of time. We all know that's not true and that has hurt the support of foreign assistance over the years.

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A second result of what I would call Marshall Plan hype is that you can do it on the cheap. Which is not true.

Q: What was the situation in Norway when you were there?

LION: When I got to Norway there was still rationing. The fleet, the merchant fleet, which played a fantastic role during the war, had been virtually decimated by the end of the war. It was recovering but was still in bad shape. When the Germans were retreating before the allies toward the end of the war, retreating into Norway, going up North, they burned everything in sight including telephone poles. So naturally Norway was still devastated. So, here I was, helping a Marshall Plan recipient in the Marshall Plan after the Marshall Plan was supposedly over.

The Norwegians had a bunch of economists in the Ministry of Finance, Ministry of Commerce, and in the Central Bank who were simply outstanding. The young folks who went to serve abroad, particularly for me in Norway, learned more from our counterparts than they from us. It was really a wonderful experience for me. In fact, I'm still somewhat in touch with these people. I just got a note from Eivind Erichsen, who was in the Ministry of Finance, and one of our chief counterparts, now 80 years old. They're also celebrating the Marshall Plan anniversary in Norway.

Q: What was the total resources that we provided to Norway?

LION: The last year that I can remember, 1954, the figure was 10 million dollars. We would go down, the Mission people, the Mission director who was Warren Wiggins, and I would go down to Paris to defend our proposed 10 million dollar figure. It was a little bit odd because with a balance of payments totaling millions and millions and millions of dollars, and with forecasts of the balance of payments depending so much on freight rates, short term and long term, and because freight rates are so variable, nobody could make a

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prediction that is precise to the nearest 10 million dollars. But we came up with that figure and defended it.

So, that suggests that we're talking of, for the Norwegians, less than a 100 million dollars over the whole period of assistance - not counting counterpart.

Q: And it involved, just generally, commodity assistance?

LION: Some commodity assistance. Commodity assistance didn't start during the first years of the Marshall Plan, as I recall. PL 480 came in the '50s. That was primarily food but there was other commodity assistance, you're right.

Most of it, however, was financial assistance. Deposits in US banks that they could draw on for imports.

Q: Was there any technical assistance in connection with the productivity angle?

LION: Yes. The Productivity Institute was started up in Norway in the late '40s or early 1950s, I believe. Emmett Wallace was our industry officer when I arrived. He's still in contact with people in Norway. The Productivity Institute still exists and still is valuable.

In terms of economic policy, in terms of what to do with the budget, how much and how to allocate budget funds—they didn't need any technical assistance. They could have given the US government technical assistance. They were outstanding, as I mentioned.

Funds for imports, funds to help replace the fleet, some shortages in some commodities and so on. The technical assistance was confined essentially to the Productivity Institute.

Q: What were some of the projects that they were focusing on, do you remember?

LION: That's about the only project I can think of, setting up the Productivity Institute.

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Q: What I mean is in terms of what they were focusing on.

LION: I think they were working on small business but I'm not really sure, I wasn't close to that program.

Q: When did the Norwegian program come to an end?

LION: My successor was Herman Myers in my job as Trade and Payments officer, and then involved in everything else as the mission got smaller (For example, I was the Small Business officer, I was the PL 480 officer). Herman was there until 1956. He worked mostly with counterpart. So, I don't know whether anyone wants to consider that as an indication of the continuity of the program or the plan itself. It certainly involved US staff, it involved programming, collaborative programming with the Norwegians, it involved money, and it involved pursuing Marshall Plan goals for some years after 1951.

Q: Well was the counterpart mainly used for general budget support?

LION: As I recall, Herman mentioned that he worked a lot with small business, trying to help small businesses around the country. He would travel around with some Norwegian colleagues and they would examine micro-enterprises and decide how to help.

Q: So we ended in 1956, that was longer than many other programs, wasn't it?

LION: Yes.

Q: Why did we stay on so long, compared to other countries?

LION: I would suspect that the dollar-funding ceased before 1956. But dollar assistance continued well after 1951. And that the counterpart was what had been generated by previous commodity transfers. But there were other countries where assistance, economic assistance, no longer called Marshall Plan assistance, continued even after that. I think Greece is an example of this, Turkey is an example. Spain might have been, I'm not sure.

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Yugoslavia, I believe, was. So there are several Marshall Plan countries that received economic assistance long after the Marshall Plan ended. We called it foreign assistance, which is an unfortunate term—Haven, it's been bothering me for 35 years.

Q: Same way.

LION: This is one of the most unfortunate misnomers in American foreign policy. This is an example of enlightened self-help. But we call it foreign assistance.

Q: Right, good point. Well then, after you finished up in Norway, you went where?

LION: I don't know how interested people are in this, but I was regarded as a security risk. Lloyd Larson, who was the mission director, went to Washington in March '54 to do a lot of things, consultation, including getting me a promotion because I was "Mr. Everything" under him at the mission, at that point. He was told that I was a security risk and he asked to see my file. Are you cutting this off?

Q: No, go on.

LION: He saw my file - it was called "raw, unevaluated, derogatory information" - and there were three things in it that compelled the people, at that time, to conclude that I should be gotten rid of. First, I went "to Harvard and was therefore exposed to liberal influences." I am quoting exactly from the file.

Second, my mother, in 1936, 18 years previous, had attended a meeting in Chicago at which Eleanor Roosevelt spoke. It was promoted by the League on the War Against Fascism, which was a pro-Spanish government organization during the Spanish civil war. But which subsequently, like maybe 15 years later, was taken over by the communists. So, my mother went to that meeting in '36.

The third thing was that I signed a telegram to Governor Dewey in New York asking that the Rosenbergs not be electrocuted, that they be given life imprisonment. I don't think I

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ever signed such a thing but if I had been asked to, I would have. Because at that point I did not believe in capital punishment.

So, he said, "Donor, you have to be RIFed." I said, "I don't want to be RIFed, I want to have a hearing, this is nonsense." As you know, being "RIFed" means that your job is abolished and you are "reduced in force."

Anyway, I went back in July, preparing my successor for a job that had been abolished. That's the way they did it. They didn't give you a hearing, they abolished your job but they put somebody into your job right after you left. Remember, this was during McCarthy years.

Q: Right, exactly.

Jobs with Robert R. Nathan and Booz-Allen - 1954

LION: So I went back to Washington and got a temporary job with a friend who was a broker doing industry analysis. Then I joined Robert R Nathan Associates, economic consultants, for three years.

Q: Did you ever get your hearing?

LION: No. But what happened was that I finally wrote a letter to Stassen, this was, I don't know, '54 or '55, reminding him, and of course whoever he had work on the case, that I had what was called "cosmic clearance" until I left Norway, and maybe still had it. Cosmic clearance meant that you could look at the most confidential NATO documents. There were things going on in Norway that were of that nature. I reminded him of that and said some other things.

I got a letter from the personnel and the security people saying something like "You don't know what you're talking about; you haven't lost your clearance; you're still employable," and all that. About 10 months later, Lloyd Larson, who had been the mission director

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in Norway, was then mission director in Thailand. When I advised him that I was now employable, he said, "I would like you to come and work as my program officer." I said fine. I applied to the agency.

The personnel director at that time was a man by the name of Abe Lerner. Abe called Bob Nathan and said, "Bob, meet me at People's drugstore for a cup of coffee and bring Donor with you." We came and we talked. Abe said, "Look, it's not a security problem, that's over with. But Donor's not employable."

"Why?"

"He works for you, Bob, and Stassen can't stand your guts. You're on the blacklist." All of Nathan's employees were on Stassen's blacklist list. Anybody who worked for Nathan then was just not employable.

So, I worked for Bob.

Q: This was done, obviously, this relates to the "Stassenation" exercise, I guess. Was it?

LION: I don't think so.

Q: A lot of people got it.

LION: A lot of people got it. But for different reasons. Remember the famous intelligence tests that were given in Washington? Although apparently some of the people who had the highest grades on those tests were also gotten rid of. It was a little bit whimsical and a grave mistake.

Q: The reports, I've had it from many sources now, indicate that Stassen personally reviewed every file and if there was any hint of anything, he used it as an excuse. If that's the period, then I think that's what took place.

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LION: It was post McCarthy, actually.

Q: Yes, this was after McCarthy.

LION: But still, people did crazy things—the ambiance, the atmospherics and so on were so polluted by what happened during the McCarthy period.

Q: What did you do? You went to work for Nathan.

LION: He had several clients including the Israeli navigation company. I used to do analysis of things that were of interest to that company. Another thing that we did was kind of interesting and had something to do with development.

Exports of Puerto Rico sugar accounted for most of its foreign exchange earnings. But sugar was loaded at the docks in bags and then the bags were loaded onto the ships. They were very unhappy with how inefficient that was. So they started to talk about bulk loading. But the dockworkers were opposed on the grounds that it would put thousands of them out of work.

Governor Luis Muñoz Marín, who was a fantastic human being, poet, wonderful man, wanted a study on the impact of bulk loading on the dock workers, on the centrales, the sugar factories, and on the ship owners, and hired Nathan to do that. Another man, Franz Wolfe, and I did that study. Among other things we found out that there weren't 14,000 dock workers who would be affected, there were only 2,000. One of the important findings of the study. It's just that people would sign several different names.

So the impact was not nearly as crushing, if at all, or as negative as had been maintained. We were able to come up with a social benefit that we could divide among the dock workers, and the sugar factories, and the ship owners. So, they went to bulk loading and everybody was better off in the end.

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That was one thing we did. Nathan also had a big contract with Burma, a development contract. I had some exposure there although it wasn't my client. Advising the government on economic policy, on the budget, on planning, and so on. Then in 1957 a former colleague from Norway, who was working for Booz-Allen at the time, called me.

Q: Before you move on, you must have gotten to know Robert Nathan, himself. What kind of a person was he?

LION: An extraordinary man. Bob was one of the early designers of our national income accounts approach in the '30s. He had a twin brother who was about a foot and a half shorter than he was because Bob had some disease that fortunately was arrested but its impact was to make his head about half again as large, and his hands very big and what not. He is very intelligent, very analytical, wonderful with people, just a great guy. He was with the Americans for Democratic Action. He was considered a strong "liberal."

I wouldn't use that as a dirty word. During this last political campaign there were a number of people who used it as a curse word. Including our wonderful senator, John Warner, whom I had voted for previously. When he started doing that I said: no more.

Q: Then you went to Booz-Allen and worked.

LION: '57 to '62. Booz-Allen, at that time, was the largest management consulting firm in the world, or, I should say, aggregation of firms under the name Booz-Allen. They had a science research firm, they had a management consulting firm. In that firm was a unit that dealt only with public clients. That was the unit I joined. I worked for a school system in Long Island, I worked for the Connecticut development commission, I worked for the Kentucky development commission, I worked for the Southern Baptist denomination. At that time I was married to a Southern Baptist so I had a leg up.

In 1962, in December, Bob Sherbak from AID Washington on the Brazil desk called me and said, "Donor, how would you like to come back to AID." Bob had been in the Marshall

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Plan in Yugoslavia and was still at AID. I said, "Bob, I was called a security risk and I've got a file yea-big. You may want to check that out before you pursue me."

So, he did and he spoke to somebody in the White House. And the White House looked at my file. The White House said to Bob, "Get him. He's the kind of person we want. He's got a Ph.D. in economics, he's had overseas experience, we need him in the Alliance for Progress." That was around of the first or second week in December.

Joined USAID and assigned to Brazil - 1963

Around Christmas time, maybe the day before or the day after, I came to Washington to be interviewed by Lincoln Gordon, who was then ambassador to Brazil and was one of the speakers at our 50th Marshall Plan anniversary here. It was a 2-hour interview and one of the charming things about Lincoln Gordon is that he has about three or four different kinds of encyclopedias, all in his head. He likes to share them with you when he meets with you. The interview took two hours and I spoke all of ten minutes. Link started with the history of Brazil from, I don't know, pre-Cambrian time or whatever, and then an hour and fifty minutes later said, "Would you like the job?" And I said yes. We talked for a few minutes more and that was it. I was sworn in in the first week of January. They could do things more quickly in those days.

I went to Brazil as the assistant director, as the number three man, in charge of capital development and planning. That was a very interesting experience.

Q: What was the situation in Brazil at that time?

LION: In January '63, Brazil was in tough shape. Not just a serious kind of dual economy structural situation with Sao Paulo being in great shape but with three-quarters of the country in mass poverty. But they were also having balance payments problems that were enormous. Brazil was the largest recipient in the Alliance for Progress which had been relatively recently launched. It was launched in '61 by President Kennedy.

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So, it was the most important country, from the US point of view, in the whole program. It had serious development problems, it had serious economic problems as well as structural problems. I was learning on the job, again.

There was a famous agreement between Administrator David Bell, who was head of AID at the time, and San Tiago Dantas, who was the Brazilian minister of finance. It was called the Bell-Dantas agreement. The US pledged to make 300 million dollars available if the Brazilians did certain things. It was the first example that I experienced, the first experience I had, where assistance was conditional, where conditions were set forth which presumably if they weren't met aid would be cut off.

I think maybe 50 or 100 million of that actually was made available under that agreement. There was some fall-off in performance.

Q: What kind of conditions were we talking about.

LION: Freezing up the price of wheat, for example, liberalizing imports. They were trying to encourage wheat production in Brazil, which may not have been the best thing to do but there was a substantial import bill for wheat. And in certain parts of Brazil the climate is not out of the question. But the price was too low, as we found subsequently in almost every developing country in the world. The agriculture sector was almost always sacrificed to the urban sector.

So that was one thing, the price of wheat, as I recall. There was some trade conditions, a move towards freer trade and so on. But there were other problems too that came up a year or two later. In 1963 the vice president was elected president and he was pretty much in the Marxist camp, Jango Goulart. There were some things like human rights abuses and what not. So aid was reduced. Except for northeast Brazil.

Director for USAID program in Northeast Brazil - 1964 and a second tour in 1968

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In 1952, the head of an organization in Brazil called SUDENE, which was The Superindencia for the Development of the Northeast. The head of the organization, a fellow named Celso Furtado, contacted Kennedy and asked for help to northeast Brazil. Lo and behold, after somebody was sent down, an ambassador, to do a study and come up with a program, an agreement was signed between the United States government and the government of Brazil to help in the development of a region. It was a diplomatic agreement and it was the only such kind of agreement, before and since, that's ever been signed. Not before or since has the US signed a diplomatic agreement to assist the development of a region in a country. It called for about 143 million dollars over a two-year period. It stipulated that at the end of two years a review would be undertaken to see what next might be done.

Assistance to the Northeast was not stopped. It was not reduced. Northeast Brazil, for the first two years was the priority in Brazil. There was, actually, a sort of sub-mission there. I ultimately went up there in 64 as the director. There was really the first time that I ever experienced major infusions of counterpart that was used for development projects. Our education program was one of the largest in all of the Alliance for Progress. It was mainly funded by US-owned counterpart. This was when they could repay US loans in local currency. That has subsequently changed. They paid us back in their currency and we used cruzeiros for building schools, training teachers, and so on. All expenses in Brazil were covered by cruzeiros. The training in the United States and other countries was paid for in dollars.

A massive program for those days. We trained secretaries of education, ministers of education, in Brazil, in the northeast. So that, five to ten years later, they were the leaders of education reform in all of Brazil. That was a very successful program. Can't say that about a lot of programs. We started something called GERAN which was to reform the sugar sector in northeast Brazil. The owners of the fazendeiros, the growers and the producers of sugar in northeast Brazil, were really exploiting the people in northeast Brazil

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in terms of wages and health conditions and education and housing. They were virtual slaves.

We came up with an ambitious proposal, together with SUDENE, which we jointly designed. It was a wonderful example of international cooperation, a program that would modernize the sugar sector in northeast Brazil so that it could compete better with Sao Paulo. It would raise living standards, it would provide education, it would do a lot of great things. It started off with all kinds of fanfare. It was on television. The head of SUDENE and I were interviewed. Good thing that I had learned to speak the language, which we had to do up there. Less so in Rio because the government people spoke English but in northeast Brazil not so. But the program was killed by the Paulistas in the federal congress.

Q: *Why?*

LION: Because it would threaten the Sao Paulo sugar industries. Sao Paulo was terribly powerful. Northeast Brazil is probably the largest homogeneous area of poverty in the whole western hemisphere. There were something like 30 million people there and they were in terrible terrible shape.

Q: *What other kinds of programs were you launching? You were a mini-mission director, not so mini either. You were really on your own mission and all that, I suppose.*

LION: It was an interesting situation. We had three "enemies." The Brazilians, of course, when they didn't want to do the kinds of things they should do. They were occasionally difficult. SUDENE, also, had been under the influence of a very leftist superintendent in the first few years. Even though Celso Furtado had asked for help from Kennedy, he was still anti-US and was something of a socialist or whatever, more than very liberal even. So SUDENE was one of them.

Another one was USAID Rio, which was the boss. We were a sub-mission.

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Q: Rio was the real USAID mission for Brazil.

LION: Yes. The third “enemy,” as always, was Washington which always gave you problems. Failure to understand, failure to support fully except when you were in Washington running the bureau, there were others who weren't always supportive and helpful. So we had a real interesting time and for many many years after that, the spirit that we had in Recife—we're number two and we try harder and all of that — held on so that people used to meet at homes, reunions for years after that, who served in the Recife mission.

I must say that I went back there, I left in '67, came to Washington and worked as the associate assistant administrator in PPC under Gus Ranis and then Paul Clark, then Hollis Chenery who was quite a character. I went back in '68, this time not only the head of the northeast aid program but also the consul-general. That was the first time they had ever combined those jobs. That might have been the best job I ever had. Being, in effect, a little ambassador and also the AID man.

Q: What did you feel that you had accomplished. Elaborate more about the program and the situation in the northeast because this has been a subject of great interest to a lot of people.

LION: Northeast Brazil was, as I mentioned, extraordinarily poor so that almost anything you tried could be positive. As I mentioned we were very much into education, and we were also into a big road building program. One of the major problems that the northeast suffered were droughts. Every seven years on the average they had massive droughts. In fact, perhaps as many as one-third of northeasterners had left the area to work in Sao Paulo and elsewhere. For example, the nordestinos were the ones who built Brasilia.

One of the problems we tried to deal with, as I mentioned, was the drought problem. They had what used to be called and maybe still are, acudes, which were holes in the ground.

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Big, big holes to collect water. We tried to help with that program. We also were trying to raise, as we did in every poor country, the nutritional standards, and levels. So there was a big nutrition program. That worked out to be our big health program.

We also supported literacy programs. We worked very closely with an organization called "ABC" which was a protestant-episcopalian denomination-supported activity, a wonderful program. We used food in that program. When the children came to the class, the parents too could come, they were given food. That, we found, did help with attendance which was an important finding. We also used food, PL 480 to support cooperatives particularly chicken cooperatives. In fact, it helped to develop the poultry industry in northeast Brazil.

We were very active. We had, in terms of money, the fourth largest program in the Alliance for Progress just for northeast Brazil. The rest of Brazil, we used to call ROB, was the largest. As I recall, Chile and Colombia and sometimes the DR, the Dominican Republic, had larger programs. But for two or three years it was northeast Brazil.

Q: Did you have a large technical staff?

LION: We had a much larger one than most missions today. We had a lot of foreign service nationals, we had our own printing equipment and produced an awful lot of our own documents, booklets and so on. In fact, when the mission, we called it the mission, when the Recife office was closed we helped find jobs for people including in the private sector with the equipment that we had in that office. Some of them got quite good jobs. We also placed them in Brasilia where the Rio mission was transferred.

Q: Were we the only donor?

LION: We were the largest, absolutely, of any — bilateral and international. The only other international donors, when it comes to the ones of those years, was the Inter-American Development Bank. But not significant. We were it. The US assistance program and the

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mission was on the front pages of newspapers almost everyday. The AID director of that program was known throughout the region.

That's the reason behind my appointment as both consul general and AID director. Because until then the consul general and the AID chief did not get along. It's a little understandable. The State people, particularly the minister-consul general, resented like hell that the director of the AID mission was the most important American in northeast Brazil. There were unnecessary conflicts and disagreements and problems. So they decided to combine the job. They looked around for somebody. A State-AID committee was examining all candidates and turned down every single one. AID turned down all the State candidates and State wasn't happy about any of AID's. Until finally the head of the Brazil desk who was then in State and who had been the AID mission director in Brazil, Jack Kubisch. (He made a lateral transfer into State.) He subsequently was very important in the negotiations.

Kubisch was the mission director in Brazil when I came down to Rio, so he knew my work. And for some strange reason he thought that I might be an acceptable candidate to his State colleagues. He knew I would be to the AID people. So I went down there with both hats and for the first time the consul general and the AID director got along very well.

It was an interesting experience.

Q: You were both.

LION: Yes.

Q: Obviously you got along.

LION: Right.

Q: Did you find the jobs were compatible or did you get pulled in opposite directions?

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LION: It was a smooth and productive operation. I used our AID staff to help in their political reporting. We had AID people working in the nine northeast states and because the US was so prominent they had access to the governors and to the state cabinets. As a result, their reporting from Recife turned out to be exceptional—that was the judgment of people in Washington. When I finished there and I was debriefed, some of the intelligence colleagues in Washington said it was the best political reporting coming out of South America.

When you have that kind of resource you can do many things. I was in a lucky position. We used to have joint parties which we didn't have before. We used the AID executive office to do the things that the State executive office never got done. The political counselor or the equivalent in the consulate, said that he, himself, became a better political reporter. He had been anti AID before that but changed his mind after experiencing the combined experience. We had an inspection, a State Department inspector, come by and see how this worked out, this new experience. What he said was that we ought to do this more often, this has worked very well. I don't think they ever did.

Q: One or two places.

LION: On a regional level?

Q: No, it was at the national level where they combined the AID director and State economic counselor.

LION: In Korea, for example, Mike Adler, was the economic counselor. Yes, and the AID chief. In Chile the State man was the AID director, Deane Hinton. And also in Guatemala, he occupied the combined positions.

Q: You were there, how long did that program in northeast go? Over how many years?

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LION: The northeast agreement was signed, I believe, in '62 and when I was last there, I was there twice.

Q: You filled this position twice?

LION: The first time was just as the AID guy. Then I came to PPC for a year under Gus Ranis. We'll come back to that. In '68 I went back for the second time as the two-headed monster.

I left in '71 and about a year or two later, the program was finally shifted to Brasilia. I started the process of closing the shop in '71. It was continued, but from Brasilia for a few more years.

Q: Why did we close?

LION: Centralization. Economies of scale, we can do it from Brasilia, it was alleged.

Q: I see. But that's quite an extended period for one person. What is your sense of the situation in northeast Brazil as a result of several years of US assistance?

LION: Well, I think we had an important impact in a few areas. In the education and health areas, as I mentioned. And we did something for infrastructure in terms of roads. Like what we do in every other place, which is training of people. Which we all agree is maybe the most important thing that we do. However, in terms of the overall macro situation, we didn't have much of an affect. All-in-all northeast Brazil today is still way behind the rest of the country.

Q: We weren't involved in the more economic activities, such as agricultural production, industrial development or any of that kind of thing?

LION: There was a program called RITA which was Rural Industrial Technical Assistance. Where we connected a US university with a university in a state, one of the states in

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northeast Brazil. The university in the US would send down a professor or two and some graduate students over a period of years. Graduate students for only three months or four months a year and then there would be rotation. They would work with the university people in the Northeast state and the government people to identify economic opportunities, company possibilities, small business prospects. And then help to promote financing of that company featuring community ownership.

Mixed results. As you might expect, if you have leadership in a community and a quality university, you're more likely to be successful. If you have outstanding people from the US who are helping, you're more likely to be successful. Those two things didn't always come together in every one of the programs.

Q: What's the underlying economic potential? Pretty limited?

LION: Pretty desperate. It's arid for most of the territory, with terrible droughts. The only part of that whole area that has decent agricultural possibilities is a narrow strip along the coast where it rains. In fact, northeast Brazil is defined, geographically, by a law that referred to the Poligono da Seca, which is the drought polygon. What is the area affected by the drought? And that is northeast Brazil. And that's the area that SUDENE was responsible for, which was the largest regional development agency in the world. It included nine states and a little piece of Minas Gerais which are affected by the drought as well, a piece of the tenth state.

This is a terrible area. Out-migration is considerable. It's sort of like Guyana. I discovered there are more Guyanese who lived in Brooklyn, New York than there were in Guyana, or something like that. At least in New York City.

Q: But we were not in agricultural development in a general way, rural development.

LION: We did some agricultural development work. We did some but it doesn't stand out in my mind as a major activity but we did have agricultural staff. And GERAN was, in large

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part, a proposed agricultural program. What stands out in my mind is the education, the health and the roads.

Q: What did you do in education? You're talking about building schools?

LION: We built schools, we trained teachers, we helped in something that was a dirty word before the Alliance for Progress, planning. Can you imagine developing educational plans for the first time in our history? That's what we did. I think one of our major contributions was to a literacy program, not just in northeast Brazil but it spread and went throughout the country. They had a pretty good literacy program.

Q: This was a massive scale.

LION: Yes, it was. I think, all-in-all, we may have put in, mostly local currency, US-owned, maybe as much as 80 to 100 million dollars in the education sector.

Q: Was there a lot of external technical assistance in this?

LION: As I said, there was training. That was primarily a transfer of technology approach. We had on our staff, and this is may be the major reason for whatever successes the program had, Brazilians who were quality folks. They were all women except for one man, Francisco. They were energetic, they were gutsy, they were smart. The Governor of one of the states, Ceara, Vergilio Tavora, said that Silvia Bahia and Donor Lion were the only two people who could say no to him. Silvia was our education consultant for Ceara and maybe one or two other states. She was great. I remember her very well. Altogether, there were five or six Brazilians who worked directly with state ministers of education and governors.

Q: Anything more on northeast Brazil experience? What was the public health program all about? What were you trying doing on that?

LION: I seem to remember one problem. Don't forget, Haven, this was maybe 30 years ago. We encountered an interesting problem, problems with blindness in northeast Brazil.

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It was attributed to our milk, our powdered milk. Not that there poisoning or anything but it was helping the body grow faster than development of the eyes. There was a disconnect and that had a negative impact on sight. So we enriched powdered milk to guard against this, to help with vitamin A.

I remember that problem. Imagine being accused of causing blindness. I mean we were accused of a number of things up there including genocide because of our family planning programs. You know, something that was rattled around in certain circles for years.

Q: Was family planning accepted though?

LION: There was a meeting in Fortaleza, which is the capital of Ceara, of family planning people and it included some people from the church, the catholic church. Brazil is 90-95% catholic, it's the largest catholic country in the world. There was this priest, he got up and he said something that I'll never forget. He said, "The Lord said be fruitful and multiply but he left it up to man to determine at what rate."

Q: Wonderful.

LION: Wonderful. The church was against this business but there were some church people, soldiers, development soldiers, I called them, who were really working for the poor. We had a few of them helping in the program. We had a few of them helping in the sugar program I was talking about. Trying to work with the sugar unions which were in tough shape. We did not have monumental success with family planning in northeast Brazil but we had some surprising successes considering the religious situation.

Q: And the health program? Were you in primary health care, maternal child care, and all that kind of thing?

LION: I haven't thought about this for a long time. Primary health care, yes. Maternal child care. All the good things.

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Q: Did you ever write a sort of summary piece about your experience in northeast Brazil?

LION: I did a couple end-of-tour reports but I don't have them, I never made copies. I also did a major study. I was sent up there from Rio before I went up as mission director of the program. The people in Rio couldn't stand it when we referred to our office as a mission.

Q: I've heard that.

LION: In '64 I was sent up there, I was still in Rio, to do a study called for in the northeast agreement. What should we do from now on? The next two, three, four, five years. That turned out to be an important piece of work. It was the basis for subsequent programming. I really learned a lot when I did that.

Q: Did you do this on your own or were you part of a team?

LION: I was the head of team. We had a Brazilian secretary, a Brazilian professional, sort of an assistant, he was not really a trained economist. And we used the US Recife staff a lot. In the process I got to meet Gilberto Freyre, who was an outstanding anthropologist, sociologist. He helped us in terms of understanding the northeast and the history of the northeast and so on. That report, by the way, was what Hollis Chenery read when he decided to ask me to do some work in PPC.

Q: How were these people to work with in the northeast, your counterpart of sorts. How did you find them?

LION: As I mentioned, SUDENE was headed up by Celso Furtado at the beginning, who was ultra-left, anti-capitalist, anti-imperialist but a man of integrity. If he said he would do something, he would do it. Maybe I shouldn't say "but." He was just a man of integrity even though he was all these bad things, terrible things, right?

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So the relationship between SUDENE, which was very left, and USAID, at the outset was very chancy and not productive before I got there. But when I got there, it was after the military had, in effect, taken over the government of Brazil. Had thrown out Jango Goulart and sent several people away for 10 years, sent them out of the country. Celso was one of them. A new person came in named Joao Goncalves da Silva. I met him in Rio before I came up and I gave him my northeast study. We became very close personal friends. And he and my deputy, and he and his deputy had lunch once a week, just to talk. We also got to be personal friends which continued many years after, here in Washington.

So starting when I got up there, our relationship at the top level couldn't be better. Joao invited me to speak to his people, who were still Celso Furtado-oriented. So relationships at the personal and senior level were extraordinarily good but the working relationship with SUDENE staff was a struggle. And it depended on how successful the people involved were, how good they were, how open they were, how willing they were to work together. In some cases it worked very well. In other cases there was foot dragging and opposition and stuff like that. So, it was a constant challenge to work with this very large important regional development organization. Even more powerful than any individual governor. And that was a problem for them because AID worked closely with the governors. So many development diplomacy issues arose. It was a good experience. As I said, it may have been the most exciting job I've ever had.

Q: I hope not. Anyway, I'm sure it was a very exciting time to be in-charge of a program in a defined area like that, a lot of resources, very appealing. But during this time you also went to work for PPC. What was your function in that?

Assignment to the Program and Policy Coordination Bureau (PPC) - 1967

LION: The first time I went to PPC was in '67. I was assistant director of PPC. I worked on some interesting things. I was presumably in charge of the budget but I was never

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very good at that. So the fellow, who was a senior staffer, under me, really did the work. A fellow named Sid Brown, he was very good.

But I was very interested in a couple of things and found them challenging and of some consequence. One was called Title 9 - political development. Remember Title 9? That was participation, participation, participation. An idea that you wanted beneficiaries to participate in the design of the project, in the benefits from the project and in the implementation of the project. It became a sort of a conventional wisdom—talked about Title 9 all the time in the late '60s and the early '70s. I was in-charge of that work.

Q: It was also involved in some political development, wasn't it? Does this sound familiar to you or not?

LION: I don't remember that so well. I know that this came a lot later—democratization.

Q: That's an interesting point because that's now very standard, as though it were recently re-invented—this whole question of participation. Everybody talks about participation.

LION: How many times have we done that over the last umpteen years. Rediscovering.

Q: What was the reception to what you were proposing at that time?

LION: Two congressmen produced this, one subsequently became mayor of Minneapolis, Don Fraser. Brad Morris of Massachusetts who subsequently became head of UNDP was the other. These two guys had their names associated with this paragraph that went into legislation called Title 9. I don't think many people took it seriously in the agency. I became a believer. But it was not so much that the legislation suddenly illuminated the problem for me. I had experience, twice in my life, of examples of participation by host-country people in our work.

One was in Norway, where we worked hand-in-glove with their economists and I learned more from them than them from me. And the other was with SUDENE, working with the

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head of SUDENE, and working with some of the people in SUDENE, and working with them on the sugar program that we developed in northeast Brazil. So, whether I knew it or not, I was learning something about participation. It certainly made me a strong supporter of that legislation and we tried to do the best we could.

Q: Were there any particular thrusts that you were trying to make when you wrote this policy paper guideline?

LION: Mostly it was to try to get people to include it in their project design work. How do you make sure that the benefits are shared, that they don't come just to the well-to-do. How do you make sure that the poor are consulted and influence what is done. How do you make sure that they help carry it out. What do you do at the community level to ensure participation. Those were the kinds of issues we raised. But I don't think we made much of a dent in those years. It became one of the traditional priorities and whims that you have for two or three years; and then you have something else and then you have another emphasis. In fact, for a while, it got buried by the basic human needs focus which came in the early '70s. In 1973 there was legislation that emphasized so-called basic human needs. In a sense, that may have been part of this whole participation movement but Title 9 was no longer what we were pushing, we were pushing BHN, basic human needs stuff.

We've had these cycles, these whims, these new priorities every few years. It was infrastructure for one time. Now, what is it? Hopefully these are not just whims. Democracy, environment, population, growth. Now, growth, that's a real specific. You can do anything you want and call it growth.

Q: I don't think it's emphasized now, is it? It used to be.

LION: I think it's emphasized in the rhetoric. It's one of the four priorities.

Q: So Title 9 just went by the boards. It never had any real application?

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LION: It sort of lost a lot of zip

Q: It never got infused in the system?

LION: I think it's come to be conventional wisdom without being called a special emphasis. The whole notion of participation, everybody knows about it now and everybody thinks it should be part of the approach to development.

Q: Whether they do it or not is another matter.

LION: That's true too. I think, though, that it's more than just rhetoric. In Thailand, when I was there, I was consulting with UNDP. I was running their cooperation with the Thai government in the development of the Thai government's five-year plan. That kind of cooperation would absolutely not work unless there was a real equal partnership participation kind of thing. So that's really become a part of the donor community's approach these days. I'm sure that it's beyond the United Nations. I'm sure it's in some of the other bilateral programs, particularly the Scandinavian bilateral programs.

I think it's an example even though it didn't necessarily take hold right away. It's an example of one of the things where the US bilateral program led the way. On BHN, Basic Human Needs, I think we led the way. On the importance of population, the US led the way. On the environment stuff, the US has led the way. On participation, we led the way on WID. On participant training, it's always been a very important part of our program, maybe we didn't lead the way but we certainly were a major influence in that area.

Q: We'll come back to those some more but in that position, you said there were other things that you were responsible for?

LION: I'll mention one other thing that was a real pain in the neck. There was a senator called Symington. His legislation required that we look at the arms expenditures, the

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military expenditures by governments, to determine if they were excessive. If so, we had to penalize them in the AID program.

PPC and my part of it were responsible for producing the required analysis. Every bureau had to do it. We had to review it, we had to do the final analysis, we had to make the recommendations and so on. When they would purchase an F12 airplane we had to figure out whether that was excessive. It was a real time-consuming effort.

Q: Did we ever implement the consequences of violating Symington's amendment?

LION: For most of the time we did our damndest to show that the country shouldn't be penalized. Some of it was really reaching, the justification we came up with for saying this was all right. That doesn't mean that we were in favor of military expenditures. There's a line, isn't there, where the United States should not impose its own values or policies? I think we've gone over the line on that one. We may have done it with the Symington amendment. That took an awful lot of my time.

Q: Were there any other dimensions of your work in PPC that stand out in your mind?

LION: I can recall that the Latin American regional coordinator in PPC reported to me. I was sort of interested in Latin America bureau's work. I had been in Brazil before that so I was sort of part of the Latin Mafia. For a long time there was a Mafia. They only promoted their own people, used their own people. For a long time they were the best bureau. Not any more. In the early years. I think that was because of the Alliance for Progress. All the stuff that surrounded it, the excitement, the Kennedy's, Camelot, the Alliance, so good people were attracted to it. They hired good people. So, for a while, they had some of the best people.

The Symington-Long amendment. Long was the other guy. Had to implement that. The Latin Bureau's work, Title 9. Another thing that I worked on, that was really difficult for me, was to write the instructions at PPC which was sent out to the field for their submissions

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on country programs. I did a first draft of that and Hollis Chenery, Assistant Administrator for PPC, almost fired me, it was terrible. He got angry with me. Sometimes that helps, and in that case it helped and I produced a decent draft the next time. I remember that, that was one of my highlights.

Q: What was Hollis Chenery trying to do and he obviously came to AID with a certain ambition, I suppose.

LION: Hollis was one of the last, well-known, highly regarded, first class economists that were hired from the outside to head up PPC. He was a macro economist of the first order. He was the one who made it quite clear that there was a high correlation between growth and exports. This was one of his major contributions to the agency's policy framework. He was tough to work for, a non- pleasant person often.

Q: Was there any particular programmatic push he was making?

LION: Well, I think he was one of the early pushers of the emphasis on growth, which is not something that we started with.

Q: This was in 1960?

LION: It was the middle '60s, I guess. A long time ago.

Q: Because the question was that in the early days of the formation of AID, what was the development strategy, policy, philosophy of that time. Later we got into the basic human needs and the new directions and so on. But in the founding of AID, in effect in 1961, do you recall what its major development strategy was or concept?

LION: If you think that the Alliance for Progress, described in the Charter of Punta Del Este set up in 1961, if you think that that was a reflection of AID's value system, approach to development, or whatever, then you could say, even then, there was some notion of sharing, of participation. Because this 100 billion dollar program that the Alliance called

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for in a 10-year period, was to be financed largely by non-AID, non-US public resources: private sector, host country and the United States. That was one of the values in our approach to the economic systems at that time. I would say that we were impressed, to begin with, with assistance to infrastructure in that first few years of the Alliance. And, I suspect, elsewhere where we had money. You see, in those days, there was money. There were significant US resources. You can't do infrastructure unless you have substantial resources. It wasn't until some years after when our budget began to decline that we said, "Let the World Bank do it, they have the big bucks." But infrastructure was a priority in those days. We talked about electricity, dams. The major sector in the Alliance, if not infrastructure, was agriculture. Agriculture development was something that was pushed very hard.

We did not focus on the first years on exports, as I recall. We focused on, as I mentioned, agriculture and infrastructure. I would say that in northeast Brazil we departed a little bit because the basis of that program was found in the report that had been written by this ambassador who came down after Furtado asked President Kennedy for help. The Bohlen report, Ambassador Bohlen, was not a typical economist's report. As I mentioned, we focused on education and on health. Those were not the typical priorities of the bilateral programs and the Alliance. Maybe some but not generally pervasive as I remember it.

We did not have as developed a programming cycle and approach as we subsequently did develop in the agency. It's hard to say what were the overall priorities and program focuses and so on in those days. I suspect that it depended very much on the region, and then in the region on the countries within that region. This was the beginning. Except for the little development work that we did in the Marshall Plan, let's say in Turkey, Greece or Yugoslavia, we hadn't had true development experiences. So we were all learning. I should say, by the way, that I think that even though we didn't do a lot of development work in the Marshall Plan, one of the consequences was the training of a lot of American people who subsequently stayed in that business after it became development work. I think that may have been one of the best training programs that American economists and other

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development people ever went through. You remember we said earlier on that there was not a development discipline. You didn't have any graduate schools in development.

Q: What was the overall objective of the Alliance for Progress? What was the US trying to do with that?

LION: As I recall, they were trying to increase the average standard of living, like double in ten years or something like that. That was the development side. But the basic rationale for the Alliance, if one might want us to focus on just one element, was that we were afraid of Castro. We were afraid of the spread of communism in the western hemisphere. In northeast Brazil there was an additional element. There were bands of people who were destabilizing the state governments there. We were interested in the northeast especially as part of the anti-Castro, anti-Communist political stability concern. That was what really pushed the Alliance, at least on the US side.

But the Marshall Plan, why was that launched? Why did we ask Europe help itself and help us help it? There was something called the Big Bear around. Post World War II the climate chilled pretty quickly right after that, after the war ended. Isn't it too bad, that something negative stimulates, unifies, pushes, promotes such good things.

Q: It is. What do you think the Alliance accomplished? It was going on for how many years? Ten years or so, or did it last for ten years?

LION: I don't know, let's say this. For one thing it became important politically in each of the Latin American countries for the parties and the government to be concerned with development. They had never been really. Governments in Latin America had always been the tool of the elite, of the rich, or of the military. What the Alliance did, among other things, was to make development a priority for many countries. If only in terms of rhetoric, the political rhetoric changed. And in some cases more than the rhetoric. So that was one thing.

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Technically, economic planning became institutionalized. They didn't have that in Latin America before the Alliance, before the '60s. Planning was no longer a dirty word. Like today if you're a liberal it's a dirty word, if you were a planner in those days it was a dirty word. It became respectable and even necessary. There was a Brazilian miracle in the '60s: extraordinary rapid growth. It was called a miracle. I never was happy about it because the northeast did not share in it.

Q: Can you attribute that part to the foreign assistance effort?

LION: I think there was a push on the policy side that was accepted by some people. For example, Roberto Campos, who was an outstanding Brazilian minister of planning and minister of finance sound policy character. They had some decent policies in the '60s. Chile, I think, did very well after a while partly because they had some very good economists there, partly because they had some excellent, excellent external advisers, some of them US. Hard to attribute that to the Alliance because it certainly really blossomed after the Alliance.

Another thing that I think the Alliance may have helped contribute, actually two other things come to mind quickly. One is that the US wasn't such a son-of-a-bitch after all. We weren't such a hated imperialist, squeezer, exploiter as we had once been regarded. In some quarters still, of course. But I think the Alliance of Progress did something to ameliorate the bilateral relationship with the Latinos. I also think that maybe one of the longer term effects was political development. I think there is only one real dictatorship now in Latin America, maybe two. That may have been this effort at development, this effort at economic growth, this effort at participation, this concern for the poor, some of the basic human needs thoughts were in the charter in Punta Del Este in 1961. The BHN, the basic human needs stuff that came out of legislation in '73, drew on those priorities. So, there's a lot of this going on in our business. A lot of connections. Marshall Plan, Alliance for Progress. The Alliance for Progress designed how the process was to be implemented. There were people in Washington who would review country programs, Latinos. In the

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Marshall Plan, this process was referred to as Reciprocal Scrutiny or something like that. A little of that went on in the Alliance. It wasn't very successful or effective. But there was some effort at it. CIAT, it was called.

As I said, there was an influence on political development and on the fact that today you have countries that can be described as democracies for the most part. Before that you did not. Before the Alliance you had military governments mostly. You had governments that were concerned with staying in power and serving the elite. That changed and I think the Alliance had a lot to do with it.

Q: We can come back to that, if you want. What was your next assignment. You left PPC and went out to?

A year off at the State Department and Senior Seminar - 1971

LION: Let's see, where are we. From '68 to '71, I was the consul general/AID chief in northeast Brazil. I came back to the Senior Seminar for a year. I recommend that.

Q: How do you find the senior seminar?

LION: Excellent, excellent, wonderful year. We traveled all over the country, visited a lot of activities. This is where I first met the current mayor of Washington, DC. He had a program in Washington that he was running, Pride, I think it was called. I also met Jesse Jackson in Chicago. He also had a program along the same lines. I forget what it was called, Push?

We went to see some military stuff, some of the bases, some of the satellite stuff, NORAD out in the west in a mountain, fantastic. But the thing I found most extraordinary about this seminar was that they said, "You make believe that you are in the State Department, that you're a foreign service person and you can go anywhere in the world for three weeks on any project you want." A lot of folks in the seminar took advantage of that in meaningful

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ways, in substantive ways. Others regarded it as a wonderful vacation opportunity. Another fellow and I decided to do this together, we liked each other.

Q: *Who?*

LION: Adolph Dubs, Spike Dubs. Spike was our ambassador in Afghanistan, got killed there, remember? Spike and I were very fond of each other. We decided we would make believe we were Australian foreign service officers and we would design Australia's foreign policy for the next ten years.

There was a little bit of a fun reason for that, in a way. We had not been to that part of the world, we hadn't been to Japan. Spike knew some Japanese foreign service officers but he hadn't been there. We hadn't been to southeast Asia. We decided we would visit all these countries: Japan, Indonesia, Singapore, Hong Kong, Australia—make that swing. We worked very very hard. We interviewed people all over the place but we also played hard. On the weekends we had tennis and golf. But we worked from eight in the morning till ten at night. And we produced a nice report. That was the highlight for me.

Q: *Foreign policy of Australia?*

LION: The next ten years.

Q: *Did Australia ever see it?*

LION: I don't know, I doubt it. That was '71, '72. That was when you traveled in Australia, they were concerned about the "Yellow Peril." They were concerned about the Japanese coming and taking over. That was the peak expansion period of Japan in southeast Asia. You would look at maps of the world and you would see an arrow coming from Japan pointing right at Australia, a yellow arrow. The Australians were worried about that.

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That was fun. The seminar was great, in many respects. You got to know people from the State Department, from the CIA, from the military.

Q: Anybody stand out in terms of the people who spoke to the group and what their views were?

LION: I think we had Kissinger speak and of course he was very impressive. I found that some of the people who were attending the seminar were people who I really enjoyed learning from. The caliber of most of them, not all, was high. It was also a place to put somebody that you didn't know what to do with. Just like some of our training programs. But, for the most part, they were quality people and I was really impressed. Spike Dubs became our ambassador to Afghanistan and he was a very impressive guy. There were a few others in that class, my class, the 14th year, who subsequently rose to higher positions.

Q: After the senior seminar what happened to you?

Assignment in the Latin America Bureau and international conferences - 1977

LION: '72. I went to the Latin America bureau and was made head of an office that consisted of entities that really didn't belong anywhere. But they put them together. It was called the Office of Multilateral Assistance and Regional Social Development Programs, MRSD. Title 9 work, I was one of the few people still interested in Title 9 work in 1971, 72, 73, 74.

That office was responsible for the bureau's coordination with multilateral organizations and other bilateral donors. So we worked with the IDB, the World Bank. During that period, I was on every single delegation that the United States sent to regional annual economic meetings: the IDB, the Latin Economic and Social Committee, whatever. The Organization of American States, sponsored annual meetings of various commissions or committees. The US would send a delegation of five, six people. There would be four State people or

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five State people and one AID person. I was the AID person. I attended more meetings, inter-American meetings, than any US officer in the whole bureaucracy because I was doing AID stuff and State-AID stuff. It was fun.

Q: Any particular thrust or programming interests that we were trying to promote at that time?

LION: At that point, there was a lot of anti-US feeling around, still, in a few of the countries. In Chile, by that time Allende was thrown out, so it wasn't Chile. Argentina was very anti-US at that point. So what we ended up doing, in many respects, was defending the United States in these forums. Countering speeches and arguments and stuff like that. It was still important to do.

One of the meetings we were at was in Lima, Peru, a military government, anti-US. The papers were talking about "terrible gringos." One of the few things that I was asked to do, really, was to accept an interview opportunity from one of the newspapers. I loved that opportunity because I said, "Poverty was not something that the United States was responsible for in your country. You are. You are." I went back to the 19th century and all the stupid stuff that they did, I wasn't very politic. "Your problem, don't try to finger us."

That's a lot of what we did in those meetings, defending the US against attacks. But in the committees, insofar as we tried to do any substantive stuff, it was always to try to make the OAS a more effective development institution. That was our push. At least that was the push that I was involved with. The State people, for the most part, felt the same way. But there were a lot of political problems in the OAS.

Q: What kind of development capacity were you trying to forge in the OAS?

LION: We were trying to improve the technical level in the region, we were pushing education. I must say, Haven, the OAS was, I can't speak for it now or for the last some years, that it was the most politicized organization that I have ever been exposed to. There

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were cliques within the OAS: the Argentines, the Chileans, the Central Americans, the Costa Ricans. The OAS was used, in those years, by the governments to place people they couldn't deal with. They all insisted on having a certain measure of participation and staffing. So you did not have, in the early years anyway, a first-class organization, to say the least. It was too bad. Highly politicized, corrupt in many ways. My expectation, my assumption, my impression, I should say, is that it has improved since then. But I can't really say more than that, except that in those years, I was very disenchanted with Latinos in how they approached important problems. Personalities, political power plays, corruption.

Q: Was this also the case with IDB?

LION: Not as much. It was a much more technical organization, I suspect. We had more influence in the IDB than we did in the OAS. In the IDB we had an executive director who was, invariably, a person of some quality and we had a lot of technicians, excellent Latino technicians. The head of SUDENE, for example, when he finished his work (he also was head of the Bank of Northeast, at one point), not Joao Goncalves da Silva but his successor, Ruben Vaz da Costa, went to the IDB years ago. We have very good people there now, e.g. Fred Scheck.

So I think that the quality of the people, in terms of technical work, in terms of planning and management and what-not, may have been significantly higher than the largely politicized OAS staff, at least some years ago. I'm not qualified to describe the current situation.

But there were some good people in the OAS too, at that time. I remember the people in the finance end of it, Ernesto Betancourt, who had been a Cuban central banker but got out of Cuba - an excellent man, quality man. Some of the technical staff that I got to know were good. But the organization as a whole, I don't think, came up to the IDB.

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The IDB had its problems. For example, its representatives in different countries were often people whose government didn't know what to do with them. Not entirely, not so that it spoiled the situation across the board.

Q: Were there other areas of activity for you in that position? You talked about social development.

LION: The Title 9 work, that's where the social development title comes from. We also were responsible for the WID work, Women in Development work, that we ended up doing. Multilateral stuff I've talked about. That took a lot of time. Meetings with the World Bank, the IDB and the bilateral donors, going to these conferences, traveling and what-not.

Q: What about the WID work or some of those others.

LION: It was just beginning then in those years. It was a senator from Illinois, Senator Percy, who introduced the first WID legislation. We were just beginning on that. I didn't think people took it seriously then either, something like the early years of Title 9.

Q: After that you went overseas, didn't you?

One year as Acting Assistant Administrator in Latin America Bureau - 1976

LION: That was '74, '75. Then I became the acting administrator of the bureau. Herman Kleine resigned in '76. I was acting head for a year. He resigned in July and Lalo Valdez was approved in the Senate in June of the following year. I had the title of acting eleven months. I was only really the acting for the first eight months or so because Lalo sat at the desk for two or three months before he was finally approved.

Q: Any particular issue that came up during that time?

LION: Lalo began appointing people to missions and offices in Washington who were largely unqualified. Lalo was very much concerned with Hispanic interests and objectives.

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This was a bright man and a person, in substantive terms, you could respect. He had been a lawyer with IDB, I believe. But he had this drive, this mandate, this mission and promptly hurt the bureau. That was the beginning of the downfall, the weakening of the bureau from its high position as best bureau in the agency. For example, a baseball coach, an Hispanic, was made deputy director in one of the missions. He put someone in as deputy in Panama, I believe it was, who sent a letter to the Secretary of State saying he wanted to be the Assistant Secretary for Inter-American Affairs. He was a young Latino, 30 years old. I went down there to try to help him understand what his role and his position were.

So that was a major problem I had to deal with in my last few months while I was still in Washington. I honestly tried my best to help Lalo do good things, obviously, in the agency and the bureau. But Lalo, I don't believe, ever trusted anybody who was not a Latino.

Q: Did he have any program interest?

LION: You know what a deputy does.

Q: I mean Lalo.

LION: I thought you were talking about me. As far as I could see, no. He had a mission and the mission was to redress the imbalance that he saw existed in the personnel profile of the bureau and the agency. That was his consuming objective.

Q: After a year there, then you went where?

LION: The US ambassador to Jamaica, designate, came to the bureau and I was asked to brief him on Jamaica. That selection was made because we had decided to help Jamaica some months before that, resume a bilateral program or something. I was made chief of a group that went down there: a fellow from Treasury, a fellow from AID, a fellow from State and I were asked to draw up a program of assistance to Jamaica, a multi-year program. So I learned a lot about Jamaica and what its needs were during that time. I don't know

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how many weeks we were down there. I was considered the expert on Jamaica in the bureau, which meant that nobody else knew about Jamaica and I knew a little bit.

Fred Irving, who was ambassador to Jamaica, newly selected or designated at that point, I don't remember, came to the bureau and I was asked to brief him. We sat down, chatted for a while then we had lunch in the executive dining room. He said to Lalo, "I want this guy in Jamaica." Lalo said to me, "Donor, you can go anywhere in the bureau that you want to." I said, "I'll go to one of two places, please, I'll go to Jamaica or Haiti." I was a glutton for punishment.

Q: That's right.

USAID Director and Economic Counselor in Jamaica - 1977

LION: So it was kind of a coincidence. Our ambassador to Jamaica wanted me. Jamaica was one of the two countries that I would like to go to. So, I ended up in Jamaica as the Economic Counselor and the AID director.

That was an interesting experience because I had to supervise the commercial attach#, or whatever they called him then, since I was also the Economic Counselor. But that didn't work too well because State Department people never paid any attention to a personnel evaluation written by an AID person. Not in those days, they may have improved since but they didn't then. So in a way, John, who was a wonderful, nice guy, was penalized by the fact that I was made the Economic Counselor. But I tried very hard to give him as much responsibility as I could because being the AID person was a full-time job. I couldn't spend a lot of time on the stuff that Economic Counselors usually do. But it was interesting trying to do that kind of combined work. I didn't enjoy that nearly as much as the combined job in Recife.

Q: What was the situation in Jamaica that you were working with?

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LION: In Jamaica, the big challenge was whether we could push the Jamaican government into sensible economic policy: macro, micro, budget, fiscal, whatever. The head of Jamaica was Michael Manley, who always had been a socialist. He was educated, along with a lot of other people many years before that, at the London School of Economics, which produced several terrible policy people. Manley seemed to be receptive and was willing to explore with the IMF, a stabilization program. So that took a lot of my time, at that point.

Another thing we worked very hard on was primary health care in Jamaica. There was a major effort. Another thing in Jamaica that we worked on was trying to convert hillsides into agricultural productive locations by terracing, bulldozing and making them flat. Not successful, that did not work. The health program was useful.

Q: That started with the stabilization program where we did major balance-of-payments assistance.

LION: No. We came up with the program that we developed when I went down there, in the neighborhood of 60 million dollars. That doesn't sound like a lot but you're talking about two million people. You're talking about a country that's the size of the state of Connecticut. I think ten million of that was for balance-of-payments assistance, the rest was for agriculture and health and PL 480 and training programs and stuff like that.

Michael Manley tried, I think sincerely, to work out an agreement with the IMF. He went on national television. A magnificent speaker he was, articulate, beautiful, persuasive, trying to sell the IMF program to the people of Jamaica. And he did but his party screwed it, undermined it. Part of the agreement involved the development, what might be called a social compact, with the private sector, with the cooperation of the opposition political party. That just never came off and the agreement collapsed. But part of our work, as the AID fellow more than the Economic Counselor, was working with the IMF people who were down there. Briefing them about Jamaica and then thinking with them behind the

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scenes. We were not involved with the negotiations with the government, on the structure of the program. I found that very exciting. I had already been involved with multilateral coordination and regional development so it was something I was comfortable with in supporting.

Q: How did you find the IMF at that time?

LION: It depends so much on the individual they send down. The guy they sent down was very understanding, very thoughtful, reasonable. He was not, what I think IMF had been and was even after that for some years, rather formulaic about their approach to macro problems: you've got to cut expenditures, you've got to cut the public payroll, you've got to cut tariffs. Automatic, that's what you always had to do. In the end, they did not take sufficient account, in my opinion, of the social impact. But he was not that way, so we sort of saw eye-to-eye. It just didn't work out.

Q: Basically it was because of the party?

LION: Because Manley was subverted by the extremists, the leftist extremists in his party.

Q: Which were what, protesting?

LION: He had to have their support and their cooperation. After all, they were in key positions in the government, they were the managers of the bureaucracy, they ran whatever it was, agriculture, finance, planning. There was one guy in planning who was very good and who would have supported, did support what Manley was trying to do, what the IMF was trying to do, what AID, in the background, was supporting but he was not politically potent, he was a technical person, he was an economist, Richard Fletcher, his name was, a wonderful guy. The head of the central bank for a time, was also a good guy, but he got clobbered politically.

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Q: In retrospect, could there be anything that one might have been done differently that you learned from that experience?

LION: I learned that we're less powerful, less influential than we'd like to be and hope to be and sometimes think we are. It's the domestic scene that really calls the shots. I don't know whether we could have in some way persuaded the other people in the party.

Q: Engage them more in the process?

LION: I don't think that would have helped, Haven. Here is the head of the party, presumably, who was trying to do the right thing. A very powerful man, one of the most popular men in Jamaican history, Michael Manley. He was the son of Norman Manley, who was kind of like the founder of an independent Jamaica. Who wasn't able to do it.

We've always had these people in the world: fanatics, ideologues. The enemy of progress.

Q: But weren't these people, let's say, threatened in terms of their jobs, in their economic situation and so on?

LION: No. It was just an ideologue kind of thing. It was too bad.

Q: You spoke about having a health program. Did that work pretty well?

LION: There was a woman in the ministry of health, she was on contract. I believe she was English. A wonderful lady. Linda, my wife, was head of the health/population office in Jamaica. Thereby hangs a tale too. How do you work that out as mission director and office director. She and this lady got along very well.

The Jamaican health care system was in terrible shape. Few resources, not enough trained people, badly managed, inefficient, all that. That's what they were working on. I think they made some progress but we weren't there long enough.

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The Jamaican program was up and down, up and down, depending on the political situation. After Manley there was a fellow named Seaga who was a moderate and whose party was more willing to undertake reforms of various kinds. But then they ran into trouble. Up and down.

Q: You said that the agricultural program of terracing didn't work. Why didn't it work?

LION: I think that the whole approach was cost ineffective. To bring in heavy equipment, how many thousands and thousands of dollars you'd spend on heavy equipment. It was more of a photo op that it ended up being. The ambassador and I, or some other people from the mission, would go out there and cut the yellow plastic rope at the front of one of these flattened terraces. The evaluations that have been done within AID around the world have indicated that that is not the way to go in most places. What works in one country, like putting rocks up to shore up some dirt and making a bed that way, worked a lot better than terracing—in some of the countries in Africa.

I wasn't there very long, '77 to '79. We were having some problems with the DCM when I was there. The DCM liked to go home on a Friday and come back on a Monday with a 15-page economics cable. He was not all that, well, these cables were not good. I think you know that I always said what I thought when I was with the agency, I always said what I thought and I didn't change when I was in Jamaica. So I used to tell this fellow, I used to suggest changes and tried to be as delicate and diplomatic as possible but by the time I got through with my corrections, suggestions, and all the rest of it, it was a different cable. This irritated the hell out of him so we didn't get along very well. The ambassador had to make a choice at the end of my two-year tour. He chose the DCM.

So I left and came back to the states and bought a house and was looking around for what I might do. When all of a sudden, Edna, who was the director in Guyana, was called back to Washington to be head of personnel.

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Q: Edna Boorady.

LION: First woman personnel director. I think Linda is the second. So, they had a vacancy in Guyana and that's where I ended up, in Guyana. The house that I bought turned out to be a great investment so something good happened.

By the way, the ambassador met me at the State Department dining room a few years later and he said, "I shouldn't have done it. You should have stayed."

Q: In Jamaica

LION: Yes, Ambassador Lawrence, Larry Lawrence.

Q: You were going to Guyana, right? At this point?

Transfer to Guyana as USAID Director - 1979

LION: After Jamaica, yes. Edna was called out to be head of personnel in Washington so Guyana opened up. Alex Shakow was the PPC guy at the time. At my swearing-in, you know sometimes the PPC chief or whoever is the host makes a few comments. He said, "Couldn't think of a better person to send to Guyana." The place just roared. Sort of like Siberia or something.

Q: What was Guyana like? What was the situation you were having to deal with?

LION: We were dealing with a government that was terrible in terms of policy. A government that was dominated by an Afro-Guyanese Mafia, some people in the party who were really nasty people—Mafia types. You were dealing with the kind of person who said, a man by the name of Frank Mann who was the Guyanese ambassador to the United States, he said, "elections are not for the squeamish." Which tells you what they did with elections there. They were very anxious to keep the Indo-Guyanese out of power. The population breakdown, I forget what the percentages were, but I think it was like 53% -

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54% Indo-Guyanese from India and maybe 40 to 43% Afro-Guyanese who were in the urban areas. The Indo-Guyanese were in the rural areas. The urban people controlled the place. There were some Chinese, some Brits.

So the political environment and the policy and orientation of the government was Burnam and his party colleagues. All of that was very unproductive and very bad. But the individual Guyanese including many government officials, technical people, were first-rate. Good people, competent people anxious to do the right thing. We had a kind of funny relationship in that situation. We had very good friends with a lot of the Guyanese government people and we were able to do some decent things with them. But overall policy? Couldn't change.

I pushed an approach by our government there that depended on performance. If they did well, we would make some useful, substantial assistance offers. And if they didn't, we wouldn't. But that didn't sit too well with the government.

Q: What kind of policies were you trying to promote?

LION: It had to do with a number of macro initiatives, although maybe not as radical or extreme as the IMF or the World Bank. Maybe we would have paced these policies, stretch them out a little longer. I don't remember precisely what specific things we were pushing but they had to do with the budget, fiscal policy, monetary policy, trade policy. The ambassador was very supportive, George Roberts, of that policy. At the end, when it was my time to go, after a tour, our program was down to about nine, ten million dollars a year.

Q: What had it been before?

LION: I had it grown to 20 or 25, including PL 480.

I wrote another tour report which emphasized the performance approach. Peter saw it and that was what led him to ask me to go to Pakistan. Although there was an interesting

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interlude with Peter. I was one of the candidates they were thinking of for the Pakistan job after the US had decided to resume aid to Pakistan, substantial aid. I was coming in for an interview on Saturday morning, 11:30. At 8:00 in the morning I had just picked up Linda from the hospital where she had delivered one of our two girls. I brought her back to her sister's house, made sure she was comfortable and scooted into Washington from Columbia, Maryland. I sat down with Peter and the first thing he says to me is, "Donor, I hear you're too liberal."

I don't know. I don't know. Maybe it's just someone who speaks out or is frank. Actually, I was told recently that somebody had slipped a note under Jay Morris' door (Jay was Peter's deputy) saying that I was a communist.

Q: Were you unsympathetic with the administration interest in the private sector, in the private business and all that sort of thing?

LION: Absolutely not. That was no problem. That's one of the things we tried to push in Pakistan. Try to develop a private banking system, for example. The banking system was entirely in the hands of the government.

Q: Was there anything else on Guyana that you want to add about the kind of programs you had before we go on ahead to Pakistan?

LION: We tried to do some work on the population area and did some but the government was pro-natalist, or whatever the expression is. Forbes Burnam got on national radio and blasted the "SOBs" who were pushing population plans. That's exactly what he said: "SOBs."

Nevertheless, we were able to work with an NGO and do some work there. I can't remember exactly what it was but we had a very good relationship with the second and third level people in the ministry of health. We had a very good relationship with the IDB rep who was a person of substance, a Canadian fellow. And with the European Union rep,

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a wonderful guy, an Italian, a wonderful bridge player—we played a lot of bridge—Nico. I enjoyed the multilateral coordination aspects of the job which really meant trying to keep, trying to put Forbes Burnam's feet to the fire. The three of us were trying to do that. It was nice not to be the only person in town who was pushing for reform.

After I left, somebody in AID got a letter from the minister of finance who said that they would appreciate someone who was more agreeable than Donor Lion. Who wouldn't insist on policy reforms. I was not the only one who articulated it to the government. It was also our ambassador. There is no reason why the AID person can't do it but there's also no reason why the ambassador shouldn't do it. George wasn't appreciated either because he took that stance.

Q: So the government wouldn't budge.

LION: Words, words. Promises but no delivery. Subsequently, the minister of finance, who made a lot of promises about encouraging the private sector, which we were pushing as hard as we could, he became the prime minister, or president—whatever the title is. Apparently, he persuaded the US government that he meant business about doing good things so the program was renewed.

Q: Why, had the program closed down?

LION: Pretty much. I think there's still a mission there. It can't be a very big program. They have all of 800,000 people. If the trend is anything like what it was when we were there, then the population has been declining. When we were there, out-migration exceeded the natural growth rate.

Guyana is an interesting country from not only an ethnic point of view, or political point of view. In the early '60s when it became independent, the US backed Forbes Burnam against the then Indo-Guyanese opponent who was a Marxist. We may have done the right thing then, I don't know. Burnam subsequently became undesirable in terms of

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national leadership. The guy who is in charge now is the guy we opposed then, the Indo-Guyanese. Anyway, the program was resumed and they agreed to reform, this ex-minister of finance no longer there.

So there are a lot of things interesting about Guyana including the political history and the ethnic issues, the rural-urban split. Guyana has substantial natural resources. Probably per square-mile has more forest resources than any country in the region. Tough to get to. When we were there, there was one road in the country, a coastal road. There was a waterfall which I could show you but I won't because I haven't made the bed in the bedroom. It's about 700 feet high, it's one of the three or four highest waterfalls in the world, a tourist attraction. But if you try to get there over land, it takes you about three or four days. If you fly there onto a crude airstrip, it takes you 20 minutes. So the forest is a potential wonderful resource. They also have a lot of bauxite. They were one of the important bauxite exporters. Bauxite prices haven't been good for many many years so that's not too helpful.

So they had natural resources. They have wonderful people. And, they've had lousy government.

Q: Back to the old issue, lack of adequate government.

LION: It's too bad. Why can't there be more enlightened democrats, small "d," who are willing to do things we think are right.

New post as USAID Director in Pakistan - 1981

Q: Right. Let's move on to Pakistan. Pakistan has been through many gyrations of programs. What was the state of affairs when you got there?

LION: In 1977 or 1978, there was Senator Symington, again, this time it was to cut-off aid if they were doing bad things on the nuclear front. So aid was cut off. It had been maybe

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the fourth or fifth largest bilateral program in our whole effort, after Korea and England during Marshall Plan days. But something happened in 1979, the Russians attacked Afghanistan. And suddenly, Pakistan became more important. And suddenly we were able to have a different perspective on their nuclear development work. President Carter sent someone over to negotiate some sort of assistance package. They came up with 300 million dollars. President Zia of Pakistan said, "That's peanuts."

Q: A famous speech.

LION: Very appropriate, considering who our president was.

Then there was an election in January of '80. By the middle of '80, the new administration, no, '81 it had to be, election was in '80. By the time they got installed, they sent somebody to renegotiate the deal. This time the Reagan administration came up with 3.25 billion dollars over five years. Half of that, 52% of that, was economic assistance. The other was military assistance. So our economic assistance program to Pakistan, over a five-year period, was 1.625 billion dollars.

Before I got there as mission director, I was sent there as a member of a team which Fred Scheck headed up. Three or four of us, plus Fred, were asked to come up with a package - more activities, program, project, food, whatever. So we came up with something like 23 projects. Actually, we did not come up with these projects on our own. This is another example of meeting with every Pakistani ministry that was relevant—and the minister of finance, and the minister of planning, and the President of the country. We got their feedback and what they thought made sense. The only thing that we put in there that we were not too happy about, was something they requested very firmly. That was a program for Baluchistan. Baluchistan is a province to the west and is the most undeveloped province, in some respect the wildest province and the most difficult and the poorest and the most isolated. But they wanted to do something for Baluchistan. But, every other

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component of that program was something that we were interested in, perfectly happy to do, and perfectly happy to respond to their request.

Then I came back, about three weeks or so. After I completed my team work, I went back to Guyana. No, it wasn't three weeks, I packed and two days later I went back to Pakistan. Poor Linda had a baby, a two-weeks old baby, had to finish the packing and get herself ready. We also had a nanny.

When I got there, we had to, in a space of a few weeks, develop PIDS, remember those things?

Q: Yes. Project Identification Documents.

LION: Twenty of them. They were to be substitutes for project papers because it would take you a year or so to come up with a project paper. We ended up with twelve projects that first year—designed, funded and beginning to be implemented. What we did was very smart because we learned from Egypt's experience with their enormous pipeline. People were saying, "Why are you sending a billion and a half to Egypt when they've got three billion in the pipeline." From their point of view, a reasonable question.

So we did not fully fund any projects. We funded them for a year or eighteen months and we never had that pipeline problem that they had in Egypt.

So, when we got there, there were 14 US direct-hire people who were being asked to design, manage, implement what was, in effect, a 300 million program. There was, at that time, a state Department Charg# when I arrived. I arrived in September. A Charg# who, unfortunately, seemed to be anti-AID. An Economic Counselor who was anti-AID. I was told subsequently by someone in the embassy that they frequently would start a meeting of the economic staff by saying, "How can we screw AID today?"

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Then we got an ambassador in October who was very interested intellectually, and very sympathetic with foreign assistance. But who said he was going to concern himself about the Russians, and he was going to concern himself with the Pakistani-India relationship which were the two most important things to him. He let the DCM and the economic counselor worry about AID. That was a real challenge. He let the DCM and the economic counselor, in effect, run the embassy while he worried about these other things, very important things. A very good man and an excellent ambassador in respect to those things.

But that meant I had to justify every single request for staff, one by one by one by one. I couldn't get more than one at a time. Here I have this program and we had people who were unsympathetic, anti-AID, and all the rest of it. So, that was not a good experience. It was a fight all the way. It meant that the US direct-hire people, we worked ourselves to a frazzle. We were there at eight in the morning, or earlier. We worked at nights, weekends. Even though the design stage is less critical to intensive direct-hire staffing than implementation is, you can bring people in, contract people and have them do most of the design work. You kind of do the reviewing and stuff like that. We were able to manage, as I say, to get together 12 projects. By the end of the first year, I think we had 16 or 17 people to try to implement and manage a program as large, as diversified, as complex in a country as difficult as Pakistan. It was impossible. By the end of my tour, which was four years, we had 45 direct-hire people but that was because we had a different ambassador. Who was willing, not only to let you do what you thought was right, but had confidence in you and your staff and supported you. The ambassador who came there shortly after I arrived was transferred a year later back to Washington to head up the administrative part of state. George Shultz asked him to come over.

A week after the new ambassador arrived, the new economic counselor came down to my office and said, "Donor, I want to be the ambassador's man on AID, on assistance."

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Q: Sound familiar?

LION: But, the new ambassador we happened to have was a fellow by the name of Deane Hinton.

Q: He had been an AID director?

LION: He had been an AID director as well as political counselor, economic counselor or whatever, in a couple of countries as we mentioned earlier. That's not how he came out. He said—let Donor do his thing and let the mission do its thing.

There was an interesting specific issue. Every project paper that AID has prepared in Pakistan, under the regime of the previous ambassador, the DCM and the economic counselor, had to be cleared by the economic counselor and the political counselor. When Deane Hinton arrived, I indicated that I didn't think that was the right way to work. We didn't clear their political reports, we didn't clear their proposed labor programs. He said—let AID do it. But because we were not stupid, I would keep them informed. I would tell them what we were doing, I would explain it carefully, I developed a decent relationship with the political counselor so that what we were trying would make sense to him although he did not have to give his clearance. So after Deane arrived, and after we straightened out the new economic counselor on who was in-charge of what, the relationship was fine.

We had some problems with INM, International Narcotics Matters, they had a man there working on drugs, narcotics. Big problem, Pakistan. Pakistan at that point was the largest producer of opium poppy and the largest basic supplier of heroin materials in the world. No longer so but was then. We had a lot of problems with the INM guy. He was interested in trying to do development work which didn't bother us. We were not trying to do everything. But the kind of things he was trying to do were not effective and would not succeed in supplanting poppy. In fact, it became our judgment, that no crop substitution program would do the job. So that was not what we tried to do. In the AID stuff, we tried to do

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holistic development work, area development work, education, infrastructure, wells, health, as well as crop stuff. In fact, we succeeded in transforming one area which was the largest producing area in Pakistan of opium poppy, to the smallest poppy area. The only problem was that it went somewhere else.

Q: What were these people producing if they gave up poppy?

LION: Tomatoes, onions, both high-value crops. Crops that they had not grown before and crops that they could grow out of season from tomatoes and onions grown elsewhere in Pakistan. We did a lot of other things that were of interest to the people. We also went about the crop stuff in a way that was not brilliant but it worked. We had farmers who were part of a program of display, demonstration farms. We would pay them to do it. People in the farms would come to see Joe Smith down the road who was doing great things with tomatoes, or whatever it was, that seemed to work. Gadoon Amazai, I think, is the name of the area.

One of the other things that we were able to do was to get the state provincial governor — governors were quite powerful in Pakistan, there were several provinces — the governor of the northeast province to agree to an enforcement program which was something that we were working on very hard. After a while there seemed to be some compliance. Less than we liked, more than one could have expected, not a lot but some. That took up a lot of our time.

We proposed to the government of Pakistan that it try to attack the opium poppy production problem throughout the country, not just in one place. So we had a contractor come and look at all the potential places and come up with an anti-opium poppy program for all of Pakistan. The government bought it and brought it to the meeting in Paris, the consortium, the AID consortium, presented it as its program and asked for pledges for that specific program in addition to the other AID assistance pledges that would be made. That

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was fun, that was exciting. That was kind of a bilateral assistance triumph. An example of effective collaboration, I must say.

Q: Did you get a good response?

LION: Some pledges, about two million dollars. We also got a pledge from UNFIDAC, the United Nations drug agency that has changed its name since then, it's got another name. We worked closely with UNFIDAC in Pakistan which was a very good example of multilateral coordination. They finally accepted the enforcement criteria that they were not willing to push before. The UN agencies have a tough time being rigorous sometimes with the host government because the host government owns part of them, that sort of thing. UNFIDAC tried to do a good job too.

Actually, poppy in Pakistan is way down these days. It's nothing like what it was and it's not near Burma and Laos.

Q: Was the area approach, group of activities that were supportive of what the people wanted, was that your strategy?

LION: As I said, the strategy was to change the economy of the area, change the institutions in the area, change the infrastructure in the area, change the value of government service to the people in the area, all of those things. That helped. But also important was what was happening in Pakistan in terms of addiction. When I got there in '81, heroin addicts maybe you could count on your hand but there were 500,000 opium addicts with an opium infrastructure with cellars and basements and places where people could go. That was 1981. By 1983 or 4, it began to mushroom-heroin addiction. It wasn't just poor trash, lower-class peasants. It was children of the elite who also got addicted. That began to change the mind-set of leadership in Pakistan. They were willing to do things. Corruption at the customs houses, they were going to start to go after that, it had been terrible.

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Q: What other programs were you pushing?

LION: We had an irrigation program of major size in most of the provinces. Pakistan has one of the largest man-made irrigation systems in the world, in terms of mileage, I don't know how many thousands of miles but it's very extensive. It was in disrepair, it wasn't managed properly. We worked with each of the provinces to try to strengthen that system, technical assistance, construction, maintenance repair, equipment, very extensive.

Another thing we tried to do, as I said, was to privatize commercial banking, get at least a couple of private commercial banks. I never succeeded in that. The mission did not succeed in doing that while we were there. It now has some but at least we broke the ground a little bit and helped prepare the day when it did come. We spent a lot of time on that.

We also tried to promote the development of a coal project combined with power, private sector ownership and management. We didn't succeed with that either. It was called the LAKRA project. Put a lot of time and worry and effort. We got Washington, the bureau anyway, to support it but when it got reviewed by Peter and others around him, it was killed.

Q: Why was that?

LION: Among other things, people were worried about the potential Pakistan aid pipeline. You have to be careful how you correct people in positions of power. We pointed out that this was not a problem in Pakistan because we weren't fully funding the projects. We were not successful.

Another thing that we worked on, I think it's pretty good, it was relatively successful, was essentially the creation of a new university in the northeast, in Peshawar, in the northeast province. Working with a couple of US universities.

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Q: Was this a general university?

LION: Yes. An important focus on agriculture but still a general university. Four-year, full university, full-blown, money went for all the usual things including construction, faculty training, technical assistance. We had a team there, up to ten people, all the time from the US universities. I understand that it came out pretty well.

Q: What's it called?

LION: Northeast university something, I forget now what the name is.

Q: What American universities were involved?

LION: Illinois.

Q: This would be a university from the ground up, from scratch.

LION: Almost from scratch, there was something there but it was in terrible shape.

Q: Do you know whether it's now essentially on its own?

LION: That's what we think. It's my impression. The last time I inquired about it was a few years ago and they said it was going okay, it was doing well.

We also had a population program of considerable size. You'd think in a Muslim society that would be a serious problem and it was for some people. The Mullahs, the clerics, were opposed to it. Although we did learn that the wife of one of the chief clerics was using contraception. It's funny how you learn these things. But the person in-charge of the population program in Pakistan, on the government side, was a woman who had previously been the founder, the inspirer of the private sector NGO family planning programs. Atiya Iniyatula was her name. Very good, very strong, and very effective.

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She was in the cabinet, the only woman in the cabinet. Her husband was a general, that helped. I think she's now with the UN family planning agency.

She was able to arrange a briefing of President Zia and 24 other Pakistani government officials on population-related issues. What is the population going to be like, given certain realistic assumptions, its composition. We did a Rapid presentation to Zia and Zia supported us. He supported that effort in a Muslim country. He compromised a lot with the right-wing religious elements but not on that issue.

So, we did that. We did population, drugs, narcotics, a lot of irrigation. We worked very closely with the World Bank. This is an example of good AID-Bank collaboration. The two agencies had their people, our guy on energy, their guy came from Washington, sat down and worked up a total program in the energy sector for five years with each agency clearly responsible for what-piece-of the program. It involved power production, conservation work, and it just pleased me that we were able to work that out.

Speaking of conservation, we were also able to make presentations to the cabinet on a number of occasions. In addition to the population one, we did one on energy conservation which showed how they could save 15% of their energy by simple reforms in various power plants and in the industrial sites where energy was important. That was useful.

We also did a presentation on vegetable oil. They had a two billion dollar a year bill on imported vegetable oil. So, we were able to propose to them an approach to that problem that would increase production, reduce imports, increase privatization, be much more rational and reduce the corruption that was involved in the whole sector.

So, we were pretty busy there.

Q: It was a class operation, as I recall.

LION: Next to Egypt, it was the largest program in the agency.

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Q: Were you able to keep up with the annual requirement for the commitment of funds?

LION: We delivered all 1.625 billion

Q: In how many years?

LION: Five years. We obligated it all over time. But it was really a tough job for the first two and a half years, we really went crazy working as hard as I described getting project papers done.

Q: You had to submit them all to Washington for approval, and all that process?

LION: Yes.

Q: How were the Pakistanis to work with on those projects, programs?

LION: The government people in-charge of collaboration with AID and with other assistance agencies, the department and the ministry of planning were very good. Ejaz Naik was the head of it, very reasonable, thoughtful, could make decisions, made them. His people were very good. We developed very good relationship with them. The minister of agriculture, first rate, excellent man, well-to-do rich landowner in the Punjab. A navy man, he was an admiral. Intelligent, thoughtful, reasonable, trying to do the right things, very likeable. We had a very good relationship with him also. I played bridge with him, we played bridge with Ejaz Naik. Hinton had some people over at his house and we had a little bridge tournament. So bridge, besides being fun, was helpful over the years.

But we had problems with some of the individual states. The provinces are very jealous of each other. Every province resented the Punjab which was the most powerful province. In particular, Sindh was the province that resented the Punjab because it was number two. That's where Karachi was located, the former capital. The Punjabi officials seemed to us, for the most part, to think that they were the cat's whiskers who knew everything, didn't

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have to be told anything. So you don't tell them. You suggest, you offer. But they were very difficult to work with. The irrigation program suffered most from the difficulties we had with the provincial officials who were gods in their own areas. The central government was not all that powerful.

But I must say that the AID relationship with the senior government officials couldn't have been better. In particular, for me, I had a wonderful relationship with the minister of planning, who later became the minister of finance and planning. Mabub ul-Haq who had come from the World Bank. He had been with the World Bank for 11 years. We were very close. An outstanding development economist and a good person to work with.

Q: So you were constantly pushing programs

LION: There hasn't been any government that I could see as a government in Pakistan, since I've been there, that's really devoted to the poor. In contrast, Mabub ul-Haq has very strong feelings for the disenfranchised and for women. He has done some very good work when he joined the UNDP as an advisor to the UNDP administrator.

Q: The Human Development Report and all that. But he didn't carry any weight in the system?

LION: The Pakistanis, the ones we dealt with for the most part, were open. The projects we were doing were designed with their approval. They were projects largely selected by the Pakistanis. But there were some elements in the senior infrastructure, bureaucratic infrastructure, that were status quo, conservative, maybe even reactionary. They were, basically, more powerful.

In Pakistan they had developed something that we see in almost every poor country or in every third world country — positive decision making is centralized, negative decision making is decentralized. Almost anybody can hold up anything. But when you want to go forward on an important issue or problem, decision, there's one person whom you've got

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to say yes. That's the way it was in Pakistan and in many other countries as well. But I had not seen it developed to the point that it had been in Pakistan. Of course it's not just an institutional thing, it's personality. The person who was the minister of finance had to make all the important decisions himself, you couldn't get anything by him. For the most part, they were decisions that supported what his other people and we, AID, agreed should be done. Part of the problem was that it took weeks, sometimes months to get those decisions. Because things were so centralized, he had to make so many decisions, it was too much.

Q: There wasn't any move to decentralize?

LION: I don't think things have changed much since.

Q: What have you learned from your experience in Pakistan?

LION: One of the things I learned was how to make use of contractors. Our life depended on that. Generally, the success of your mission depends not only on your counterparts, the environment, policy framers and so on but on your direct-hire people, your managers. Of course, a core of foreign service nationals who have been there for ten years or so. The memory and what-not of the mission. But in this case, for the first year or two, our success depended on contractors. We had so few staff. So, that was one thing I learned as a technician, as a development manager.

Q: You used them in the design implementation.

LION: I don't mean we used them to do evaluation work or management work. How do you work with contractors under a stress situation where you have to produce between ten and fifteen project papers in less than a year. Quality papers. There were several of us in that mission who were concerned with quality. Linda was the project development office and in charge of contracting. By the way, that was the first time that contracting and the project development office were ever put together under one office. I thought that made

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sense because you have to integrate the whole procurement operation with your project schedule.

Linda was always concerned with quality. Some of the division chiefs, the office directors and I, we used to go over every project paper line-by-line. We'd argue with the contractors, and tell them to go back and do it this way and that way. One of the things we insisted on was that the design include analysis of previous projects in other missions dealing with the same subject. We included a Lessons Learned section in each PP and took it seriously in our design.

Q: I remember that.

LION: And how do you put them in your PP. In fact, AID sent people around to evaluate our PPs. Larry Harrison was one of them and somebody else did it too. They both concluded that ours were among the best in the agency. That was because of the collection of the people who were there. I would say, in particular, Linda and some of the office directors. I had something to do with it but it was a team effort. Our Lessons Learned emphasis was part of the reason for the high quality of the PPs.

So, learning how to get the most out of your contractors, and holding their feet to their fire, and demanding performance, and not accepting substitute personnel from the ones that they originally proposed. In particular, the chief of party. So I learned a lot there about that whole process. Interviewing the chief of party, you have to do that, the proposed chief of party. You do not accept without talking, seeing the person. If there's any effort to "bait and switch," you don't stand for that. You put your foot down even though you're in a hurry, even though you're under pressure, even though you want to get started. It's better in the year that follows that you do it the right way.

They don't seem like significant things but they were important.

Q: Did you have trouble getting projects approved in Washington?

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LION: Sometimes. Even though there was pressure to get it all done. We had the LAKRA project. We went through terrible times to try to get them to approve that. Limited support, limited support but then it didn't work out. We never had an approved PP by central AID.

The education project in northeast Pakistan, we had to revise it several times to satisfy one or two individuals in Washington who thought they knew better than we did.

It was tough. It was a tough assignment. We were building staff so our capacity to manage, implement was stretched. As I said, at one point, by the time Linda and I left Pakistan, four years later, we had 45 US direct-hire which was three times the size when we first arrived.

Q: Were there other dimensions of your experience in Pakistan? Were you doing any policy dialogue with the government?

LION: We were doing it in a sectoral basis. We were doing it in fertilizer, we were doing it in vegetable oil, we were doing it in the energy sector, we were doing it in population. We made some progress.

Q: Any particular techniques in doing that that you found useful?

LION: What seemed to be useful were these presentations to this group of high-level, cabinet-level people. We'd explore it, we'd describe it, give the pros and cons of different options and solutions. They seemed to find that effective. Personal relationships with the key people, we always know that, that was something we assiduously worked on. I worked on it with the minister of planning and finance, minister of agriculture and with the man who was in the water and power administration, WAPDA, the largest government organization in the country, 100,000 employees or something like that. He was very fond of this phrase that I've given you, "In Pakistan, positive decision making is centralized and negative decision making is decentralized." He made a copy of that and put it on his desk.

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The personal relations with key people, these rapid and other visual aid presentations. When I say personal relations, I'm including parties, social occasions, bridge games. AID has never (and it's very difficult, if not impossible) evaluated the effectiveness and significance of out-of-office contact. I think we've gotten a lot of dialogue, sectoral and macro policy stuff, at least considered as a result of that kind of work. Speaking of evaluation, our emphasis on results makes evaluation very difficult. Because results are long in coming, frequently indirect, mission evaluations should put more stress on process, on mission operating systems.

Q: Any thing else on Pakistan come to mind?

LION: The last thing that I did that I was pleased with was to suggest another five-year program. Wrote up a big report, study, proposal, what-not, which the ambassador was very happy with and sent it around to people in the US government. Some of it, I think, was actually adopted. But we've been running into trouble with Pakistan. Up and down, the mission is closed now, if it isn't closed now it will be.

Q: Were you involved with the Afghanistan sideshow?

LION: No. Ambassador Hinton asked me to head up the Afghan AID office. He wanted to put that in my portfolio along with the regular USAID Pakistan program. I pleaded with him not to insist that I do it. Because I said that it would compromise the whole AID program. It would politicize it. So he finally acceded and I proposed Larry Crandall who was finally sent there.

Q: Did you provide any support for that operation?

LION: Some backstopping. As much as he needed, as much as we could give him. Eventually he became pretty self-sufficient up there. We had a person in Peshawar, the northeast province, a regional AID person. This is one of the things that we needed to do because so much was done in each province and the governors and the bureaucracies

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there were so powerful, that you had to work with them. You couldn't work on their projects with the central government. So we had a one or two person office in Peshawar, was had a one or two person office in Lahore, we had an office in Karachi. This was one of the things that we had to do.

Q: There was an element of decentralization. Was that really decentralized?

LION: For example, there were certain things that they did in Karachi that we couldn't do from Islamabad. Karachi was the major port. So that meant all of the commodity assistance, all of the PL 480, all of the fertilizer, all of the energy commodities that we worked up within an energy program that we had.

Working with the northwest frontier province, required somebody there working with the provincial authorities. Since our other programs, ag programs, irrigation programs, were province-by-province with different things going on in provinces, you had to have somebody there. So we did.

Q: Were there any moves to decentralize below that governor level in terms of involving a local community

LION: We got into some community stuff in the narcotics effort. But we also worked very closely with the provincial government on that too.

Q: There was the rural development project in the very northern border area sponsored by the Aga Khan foundation and AID was involved, the World Bank, was that going on?

LION: It was going on and we were aware that it was an interesting project that seemed to be having a good bit of success. An increasing community participation, savings, production, employment and so on. But it was a very unique approach and it was not one that you could assure that AID could finance or provide. There was one man there who

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worked for seven, eight years. He was what made it work. Where do you get somebody like that who stays for seven, eight years in a God-forsaken place doing that kind of work?

Q: There was the anticipation, at some point, that that could be replicated throughout the country.

LION: Very difficult because of the unique aspect of it that made it a success.

Q: Any more on the Pakistan affair?

LION: I wanted to stay on after 1985. Why Peter decided that he wanted me to come to Washington to be his chief economist I'm not sure I'll ever know. But we were just beginning to design the second effort, the second five-year effort. I wanted to complete that and get it started, launch it. I also did not want to work in Washington. So I kicked and screamed and sent several pages of cable telling him why it wasn't right, wasn't good for the agency, I wasn't qualified. In fact, without my having anything to do with it, Mabub ul-Haq sent Peter a cable and asked him not to pull me out of Pakistan. But you know Peter, when he makes up his mind.

Q: What were you supposed to do when you came back?

Return to AID/Washington as Chief Economist - 1985

LION: I was the chief economist.

Q: What does that mean?

LION: I wasn't sure. In fact, what it meant was what I was able to decide it meant. It ended up that I had two interests. One was to work on the third world debt issue. I worked with Jerry Wolgin who I thought was very good.

Q: This is what year?

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LION: I came back in September '85. Within a month I wrote a memo to Peter on that subject saying that: now is the time to truly deal with the debt crisis. Tried to spell out an approach to the debt problem of the third world.

Q: This was world wide?

LION: Yes. Enlisted a score of economists in the agency, in particular, Jerry, who I thought was the most receptive, the most interested, most concerned.

Q: He was in the African bureau then?

LION: Yes, he was in the African bureau. The others were good guys, good people but I didn't think they cared as much as Jerry did. So I worked on that problem. I'll tell you a little bit about that in a minute. The other thing that I tried to work on was to develop a kind of feeling, feeling of a team among the economists. Because they seemed to be isolated, dispersed. They weren't making a real major contribution to the agency, neither was the chief economist making a contribution to the agency. Where you have very strong regional bureaus, it's pretty hard for a central technical person to be terribly effective. Although maybe a different person might have done more. I met with them regularly, we talked about things that we ought to fight for and get the agency to adopt. We talked about training and recruiting programs.

On the debt side, what I ended up doing most of my time there, was working on the Baker Plan. Baker came up with this plan that for the first time explicitly recognized that there was some relationship between the ability of a country to repay its external debt and how it was doing economically. It recognized the need for assisting the countries to grow, for their income to expand, for their exports and foreign exchange earnings to expand, as part of the approach to the debt problem. That was the groundbreaking principle of the Baker Plan. I found that very compatible. I was happy with that and I was anxious to support it. In fact, some of us were on a committee that looked at drafts of the Baker Plan. I was on

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it from AID, there was someone from State, Treasury, of course, had some people. This plan, ultimately, was to be presented at the World Bank-IMF meetings in 1985, in the Fall, in Seoul.

Peter and two of us joined him at those meetings in Seoul. I was one and Barbara Upton was the other. Baker made a good speech and there was an interest in the program. But it was decided after Seoul, a team of US government officials would go to all of the capitals that were critical to approval of this program by the IMF and the World Bank. Apparently we had to get governors of both organizations to approve the Baker Plan.

So the team consisted of Princeton Lyman and Donor. Princeton at that point was State Department, no longer AID. Bill something from State, John something from Treasury, he was in-charge of international affairs in the Treasury department. And the U.S. deputy executive director of the IMF. We would go to Paris, London, Bonn and ultimately Ottawa to try to line up support.

What we found was that in each of these places, there was a division, there was a conflict on the Baker Plan.

Q: Maybe you ought to stop a minute and describe the main components of the plan.

LION: The Baker Plan provided that private banks would help with their debt-lending operations with these countries. The public donors, the bilateral and international donors, would make certain amounts available and talk about economic reform and so on. It was a package approach but it involved, it depended on very heavily the collaboration of the private commercial banking systems.

Q: To reschedule their debt?

LION: Reschedule, make the whole repayment issue easier.

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But the public donors were also going to make a major financial contribution.

Q: Did that involve rescheduling too?

LION: I'm not so sure that they were allowed to. Rather than make loans, you could make grants and that was what we were sort of moving towards. We found, for example in Bonn, that the minister of finance was all in favor of it but the development people were not. Because the development people were afraid that funding from the donors for this program would short-shrift funding to IDA. The French, in particular, took that position. So we went to Bonn, we went to Paris, we went to London.

In London we did not get a good reception. We couldn't understand what they were saying, we couldn't figure out where they were coming from. When we got to the airport in London to go back to Washington, two of the five people said, "It's over, let's bag it. This is going nowhere."

Two of the five people said, "Wait, we may not know exactly what the English said but they didn't say no. The French took a position they would naturally take but they might reconsider. So let's keep going."

Princeton and I were the ones who were saying, "Let's keep pushing this." The Treasury guy, you might expect, thought we were right, that we should keep trying. But that was interesting. The State representative and the U.S. deputy executive director of IMF were ready to drop the Baker Plan at that point. So you can say, if you want to, that AID people were significant in the movement of the Baker Plan to adoption. But beyond that, one of the things that I was able to do, being in AID, was to send a message to every single third-world AID mission, ask them to work with their counterparts to support the Baker Plan in the World Bank and in the IMF. It was a successful effort. The Baker Plan was supported. Unfortunately, it did not succeed. The Plan did not succeed.

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As we know, the debt problems still remained terribly serious. It didn't succeed partly, if not most importantly, because the private commercial banking system did not come through. They said they would cooperate but they didn't. Promises, promises but no delivery. So, that was one thing I worked a lot on, spent a lot of time on, was the Baker Plan.

One of the offices that reported to me as the chief economist was our economic analysis group in PPC. The economic analysis group was in-charge of certain research contracts. One was a tax study to get at certain policy issues involving taxes, relationships between taxes, development, and growth. When I came, there was a contract that was in the process of being reviewed. It had been approved by the head of PPC. At that point there had been several PPC chiefs, political appointees. The days when you got an outside well-regarded competent economists was gone. You got different kinds of people. Sometimes they were good and sometimes they weren't. But they were political.

One contract was in the process of being awarded to a contractor who had made very substantial contributions to the Republican Party. The contract was a charade. It called for 450 - 500,000 dollars for four meetings. It had been approved by the PPC head who, as I said, was a political appointee. I would not approve it as the head of the unit, supervisor of the unit that was responsible for final clearance on this thing. I wouldn't do it. Nobody in that unit wanted to do it because they, and I, thought it was dishonest, unethical, a use of tax payers' money to reward a political supporter. That was not something that any of us wanted.

So I took the brunt of it and protected Ken Kauffman, who was the chief economist in that unit. I had a big fight with the PPC head. I was called to the Hill by Jim Bond, who dressed me up and down for being an obstacle to progress and for doing in Administrator Peter McPherson on this.

So we awarded a revised contract to someone we hoped would look at the tax issue and effect on development in a substantive way. It was, however, a contractor who was

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also identified as a supporter of the Republican Party, and as a conservative, right-wing economist, but at least he was a professional and it was for half the price. And we got more work done.

That was part of what chief economists do. At least that was what I did when I was there.

As soon as the Baker Plan work was over, I wanted to get out. The LA bureau was interested in having me go to Honduras. Peter was also willing to propose me to be our US executive director on the IDB. The Treasury people wouldn't see it, they didn't want to have an AID person there. Out of the question. Although the Treasury guy who was heading up the Baker team that went to Europe supported me. He thought I would be okay but the rest of the Treasury people said no. So, that went nowhere.

Then, Peter said okay on Honduras if he found someone to take my place. He located Ernie Prieg from State who came over as chief economist. When they found him, then I was free to go. Who was head of the LA bureau then, do you remember?

Q: Dwight Ink.

LION: Dwight Ink. His deputy, Malcolm Butler, proposed me to go to Honduras. The ambassador there approved. This is essentially pro-forma anyway but the ambassador approved. The only condition that he laid down was that I come to Honduras fluent in Spanish. He was kicked out two weeks later, by the State Department, because he apparently did something with the contras contrary to US policy, or with the government, I don't know what. I don't remember precisely why he was fired. In the end, he went to the Hill as an advisor to one of the committees up there.

So, a new ambassador was designated and I was interviewed in Washington by the new ambassador designate and he said, "No, I don't want Donor."

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We subsequently found out - At that point, I had achieved career-minister when I was in Pakistan. He was not. He was minister-counselor. Apparently, he was the kind of guy who couldn't stand that sort of situation — being out-ranked by someone at his post, not to mention an AID person. So I was turned down. Instead, there was a switch. John Sambrailo was in Peru, so the bureau decided to put him in Honduras and see if I could get the okay to go to Peru. It turned out that the in-coming ambassador, he hadn't yet arrived in Peru but he was designate, was a man by the name of Alex Watson.

Alex Watson had been a junior consular official in Brazil in the early '60s and then in the mid-60s, and when I became consul general and AID chief, he was still in Salvador as the consular officer. So we got to know each other. I knew him and his wife. We got to be friendly.

So, he had a problem. Donor is being nominated for Peru. Now, the State bureau, in effect, in the form of the ambassador, turned him down for Honduras. And there were other people in the bureau who went along with that. Although the number three person in the State Department, John Whitehead, asked the ambassador to reconsider, the ambassador refused. So, Alex had to work it out. He had to wheel and deal in order for me to go to Peru. He succeeded. So, finally we went to Peru, Linda and I. That was an interesting experience too.

New Mission Director assignment in Peru - 1986

Q: You were assigned as mission director to Peru in what year?

LION: 1986.

Q: What was the situation in Peru at that time?

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LION: The economy seemed to be doing pretty well. They had a new dynamic president, wonderful speaker, good-looking, he used to sing on the Left Bank of Paris when he was in France, something of a womanizer, they said. A lot of charisma, really.

I mentioned the economy apparently doing well because it hadn't been doing well before that president came into office. Peru had not been doing well for decades. Also, there was a very lively, strong threatening terrorist group called Sendero Luminoso which was a rural-based organization that was really threatening to undermine the government. The government wasn't doing very much about it, couldn't afford to do very much about it. And also, corruption hurts. Police and the military, to some extent.

The government's economic policies were mostly inspired by some Argentine economist, whose name I forget, but it tended to help the rural areas more than the urban areas. But there still was in Peru, as there had been for generations, the usual gap in the third-world countries between the small elite well-to-do and the majority of the masses, the majority of the poor. Lima, as the major city, was surrounded by several million people who lived in terrible slum conditions.

So, there was the security situation, there seemed to be a relatively good macro economic situation with the rural sector doing relatively well. A very popular president. That's when we arrived in September '86.

Not too long after we arrived, however, the economy started to break down, to deteriorate. The policies were not sustainable. Also, foreign assistance, external assistance and foreign private investment were constrained by the politics of the Peruvian president who was anti-IMF and seemingly anti-US and somewhat pro-Cuban, etc. So, it was not, what I would call, a sustainable equilibrium environment.

Q: What were the causes for some of the breakdown in the economic situation?

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LION: The price structure was messed up. Which is to say that it did not result in a sensible allocation of resources. The private sector was limited, constrained. A lot of capital was leaving the country, there was a substantial capital flight. Entrepreneurs and business people were leaving the country and moving to Miami or some place in Florida or elsewhere, at least temporarily. While I was there, the landlord of the house that we were renting sent his family to Florida, including their household help. He was a pretty well-to-do guy.

There was also something else that pushed people out. That was the kidnaping threats to the wealthy or the business people. It was a frightening kind of thing. It was a deteriorating situation and before long it really got very serious. The economy started to nose-dive. Not only was it not growing, the GNP was actually declining.

We tried very hard to push the president and his party to reasonable policies. We tried to encourage dialogue with the IMF and the World Bank. And there were starts. These people, the APRISTAS, it was a party, it was a party which had been started 50 years ago, but had never been in power. The APRISTAS, some of them, especially the president, knew how to say some of the right things, as well as some of the wrong things. So they would start negotiations, say with the World Bank, on a package of assistance given a range of reforms, but it never came off. The economy collapsed, the president was increasingly under pressure, accused of corruption. Rightly so, it was one of the most corrupt regimes in Peru. A man who came from the quote "liberal, sympathetic to the poor, pro- democratic" sector turned out to be a corrupt, dishonest president. It was very disappointing.

Those of us who watched Peruvian and Latin politics and governments over the past decades, especially when I was involved with the Alliance for Progress, had high hopes for the new APRA government when it came in for the first time.

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Another thing that I learned, and it was brought out again in Peru, was that a party which had not been in power for decades, does not always train for governing when it is an opposition group. There is something to be said, I think, for conscious training of opposition party people in the art and science of governing and managing.

So, not only did these people not have the kind of experience that you need to govern well, but they were also corrupt. They turned out to be using political power for the same purposes that most of the political leadership over generations of Peru did, which was place people in positions, patronage, relatives, family, money, all that sort of thing.

This was a little disappointing in general but specifically in a place like Peru which has such enormous potential it's rich in natural resources. It can grow anything that's grown anywhere in the world because it has so many different climate zones. The Sierras, the mountains, the high plains, it has tropical forests, etc., etc., etc. It also has other sorts of resources aside from fisheries and diversity of climate. Fantastic people. Also, a lot of the Peruvians have educated family backgrounds, modestly wealthy. Good training, elsewhere, so they had some good trained people. And some of the people we worked with, even though they were in the APRA government, were good, very talented, very competent, thoughtful.

So, here's a country with grand potential and not doing very well.

Q: What was the program like when you arrived? What were we doing?

LION: We had a Food for Peace program. And we tried to use the counterpart for the usual things—helping to finance the local cost of our projects and also for a little budget support, here and there. We had a strong agricultural program which included a strenuous effort at building the agricultural university in Lima which generations ago was one of the best learning institutions, college, higher education institutions in South America.

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Incidentally, when we got there, the president of the university was Fujimori, who is now president of Peru. He was not very helpful when we were working with his university. He seemed to be, from a distance, I met him a few times, he seemed not to be open to other people's views. He did not seem open to reform, at the time. So, when he ran as a candidate for president, virtually unknown in the country, we didn't give him much chance.

We had a family planning population program, which was pretty tough because there were strong anti-family planning forces in the country, including the church. We had a very satisfying program called the Andean Peace Scholarship program where we would send groups of people, poor people, people from the rural areas, to the United States for several weeks. They would come back and they would have had some training, they would have been in a university setting most of the time. They'd come back and we'd be helping them to do more of what they were doing, or better than they were doing, or work if they hadn't had before. Very satisfying program. But that's part of the total training effort that we supported everywhere, in all the countries we'd been in. And I think most of believe, (it) may be the most valuable thing we end up doing.

Q: What were you trying to do with the program out in your area?

LION: One of the things I spent about 50% of my time on was to keep the money coming. Because when a country does not repay debts to the United States, you can't disburse any funds. The Peruvians were in tough shape. Their balance of payments was in chaos, their reserves were down, they weren't paying us, they weren't paying the World Bank, they weren't paying the IMF.

And most of the time we ended up doing it until 12:00 midnight, maybe we missed it by an hour or two. But the Central Bank people tended to be cooperative. It meant that the Ministry of Finance and the Central Bank had to do things that they hated to do. We justified it to them on the basis that they would be getting more than what they were paying. It turned out that was the case when you considered PL 480 which was about a

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ten million dollar program, technical assistance and grants were maybe another fifteen million dollars. If I recall, it was around a twenty, twenty-five million dollar total effort.

Washington was very supportive of the Mission's efforts. Bending the rules a little, not breaking them but being flexible with that whole issue of debt repayment.

Q: What was our interest in preserving our program there?

LION: Peru was the fourth largest country in South America. It was a democracy in the sense that they had free elections. They had a serious Maoist terrorist effort. But perhaps what was, or should have been, our most important concern was that Peru was the largest supplier of coca for cocaine. Most of the coca, at the time we arrived, was being produced, processed into paste, coca paste, and then shipped to Columbia where it was further processed into cocaine. Then the crack.

So, our interest was to try to keep the Peruvians working hard in the anti-narcotics efforts. They certainly couldn't do that if they had to bear all the costs without receiving assistance. So, our assistance program had an anti-drug motivation, it had an anti-Communist terrorist motivation, it had a pro-democratic democracy motivation. It had the motivation that is suppose to drive AID to begin with, which is growth and development especially for the poor. Peru provided a great many reasons for US assistance.

You could see that it added up to several US interests in a significant bilateral assistance relationship.

Q: What was the strategy for the drug prevention process?

LION: We never really did it right. We never really tried to do it right, in my opinion. Early on it was a crop substitution program. Most of us in the business knew that that wasn't going to work. Then it was a kind of somewhat more ambitious but not a real area development program. We never put enough money into it. The Peruvians couldn't afford

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anything. The soldiers, the military who were suppose to help out against the terrorists were paid ten cents a day. The police were in equally bad shape. There was some corruption, as I mentioned earlier on. So, although we were trying to do well, we weren't doing the right things and didn't have enough resources to really make a difference.

Toward the end of the time I was there (we arrived in '86 as I mentioned and left in July '89), in early '89, I came up with a proposal within the embassy to submit to Washington. A proposal for an Andean regional anti-narcotics program. I felt not only couldn't we do it in one valley, which is something the USG had been emphasizing all the time, the Upper Huallaga Valley, and not only through other parts of Peru, but you had to do it in the region. Bolivia was a grower of coca. Columbia, to some extent. Ecuador, to a minor extent. I said you had to work on all these countries in an organized systematic way and came up with a proposed Andean region approach.

It was pretty ambitious because it had not only anti-narcotics, it had pro-development, it had assistance to the military in these countries and to the police. It was an economic, social, I shouldn't say political, but multi-sector approach to these countries. The embassy liked it. The proposal that I made included sending a draft to the US embassy in Bolivia, in Columbia, Ecuador and maybe Venezuela which was also involved, if not a grower, then a financial middleman and maybe a mover of commodities. These embassies commented and we put it all together in final form and sent it on to Washington.

I saw, a year or so later, something was passed in Congress that the administration had sent to it, called the Andean Regional Anti-Narcotics program. But what happened, as happened so often, is that it was inadequately funded. The amount of resources that we indicated were really necessary wasn't even closely approximated. You can't really make a difference in a regional economy unless there's a lot investment. Unless there's infrastructure, unless there's training. If you want to get the farmers out of the business you have to sustain them for a year or two while they're trying to grow new crops and other things. You've got to have a substantial marketing effort.

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You've got to do it right. And we didn't. And we haven't, anywhere. The only place, that I may have mentioned in our previous conversation where we seem to be "successful," quote unquote, was in Pakistan. There we succeeded not only in cutting the production of opium poppy in the Gadoon Amazai, but also unintentionally succeeded in pushing it elsewhere. That's where I really learned, on the ground, that you can't work just in one country. You certainly can't work in one valley or one part of the country as we had been trying to do in Peru for years.

Q: Pakistan, I think, was partly due to the fact that the government, itself, or the upper class, was frightened by the poppy threat and therefore made more of a commitment.

LION: That's right. They were worried because the elite's children were getting addicted. That meant they willing to cooperate in sanctions, or what we call enforcement. But they weren't prepared to stop it all over the place. They weren't able to. And even if they were, there was Afghanistan and the guerrillas were our colleagues, our friends, our allies who were growing the stuff to finance their purchase of arms. So Afghanistan became a major producer and still is.

Q: What do you attribute the success in Pakistan to, mainly?

LION: In that one valley? I think I mentioned, we were able to do a number of things that were of interest to the inhabitants, outside of agriculture. Whether it was irrigation, or health activities, education, or whatever. But we also were able to find crops that were out of season for most of the rest of Pakistan, tomatoes and onions as I recall. These are high-value crops. Together with the willingness of the federal, the central governments and the state provincial governments, which were really, as I mentioned, quite powerful, plus these non-economic development incentives, plus reasonable good prices for substitutes, all together ended up moving the stuff out of that area. It also might be that they felt that those who were responsible for growing the opium poppy, felt that their time was up in that

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area because of all the attention that it was getting and there were plenty of other places to do it which were more secure.

Q: Why were we so halfhearted in the Andean initiative? Why do you think it never got that support?

LION: Over the years I've developed a cynicism as to how important fighting narcotics is to our top leadership. President Bush declared war on drugs and increased the budget from a few billion to maybe five billion. Most of which was not spent on where the stuff was grown but was spent on trying to keep the stuff from getting into the United States. I have felt that this administration, the present administration, really hasn't a plan, no matter what the rhetoric is. Apparently, the American people really don't understand or care enough to insist that we do everything that we know how to do even if it's going to cost a lot of money and take a long time. This is a ten or twenty-five year battle if you want to do it right. It'll cost an awful lot of money.

Unfortunately, if we're interested in cutting it out in a country where coca is grown, we're going to have to provide most of the money. The countries that are the producers, the Burmas, the Afghanistans, the Perus, the Bolivias don't have enough money for their own development. And be more successful in internationalizing the anti-narcotics effort. We never really worked hard and systematically at that.

Q: What other dimensions of the program were you moving on?

LION: In Peru?

We talked about the drug program. We talked about the Andean Peace Scholarship program, Food for Peace program, Food for Work, cooperatives. We talked about the Family Planning program.

Q: Was the Food for Work an effective way to operate?

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LION: It's a mixed bag. Sometimes it worked, sometimes it didn't. Invariably there were management problems, invariably there was losses of food at the docks. It didn't matter what country you were in, these things happened no matter how hard you tried to control it and keep it down.

Two food programs that I remember in my lifetime that seemed to work well were in northeast Brazil. One was when we combined it with a literacy program, and the other was when we combined it with stimulating, promoting, developing chicken cooperatives. We would provide the feed. Those two programs stand out in my mind as having worked fairly well.

The other thing we were doing in Peru, it was kind of interesting. We were concerned with environmental issues. Not only were the growers of coca denuding the hillsides of the Upper Huallaga Valley, so that you fly over it and you'd get sick when you see the bald hills. It was terrible. When Dwight Ink flew over he became a strong proponent of environmental initiatives. It was so shocking. Not only were we concerned about what was happening because of the narcotics problem to the forests in the hills, but tropical forests in Peru were being decimated. Part of Peru's territory is part of the whole Amazon region.

The previous Mission's staff had come up with a proposal and a project that represented somewhat a new approach to tropical forest management. Commercial production plus renewal. The technology was to cut a swath, about fifty yards wide and a mile long, for commercial purposes and let nature replant. That happened beautifully. What we learned was that not only will the seeds from nearby trees end up germinating but apparently half the trees that grew in this swath would grow from seeds that animals dropped, deposited. Either they're flying, birds, or they're some kind of four-legged beasties that traverse this area. Within five years we could see that not only were the same species being regrown but there were new ones, that hadn't been there before, from birds which dropped seeds

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or animals that had eaten something, miles and miles and miles away. So that was a technology that seemed to be working but I wasn't there long enough to see the results.

Q: There had to be some control of the cuttings.

LION: Of course, you're not going to let too many trees grow per square foot. There had to be some management of what was happening. But it was happening. We were also helping to construct a cooperative there and a sawmill for the commercial production. That seemed to be going pretty well when we left. I don't know what has happened to it since, but it was considered to be a sort of a breakthrough in the technology of tropical forest management.

So, we were pretty busy there. Working on the narcotics problem and working on getting them to repay, working with Washington to get them to move money, PL 480. That took up 90% of your time and you worked very hard the rest of the time.

Q: You mentioned the problem with family planning, what were you able to do in family planning?

LION: We had some problems. We were trying to push the social marketing approach, as everybody does. We were trying to stimulate a private-sector approach to the production and distribution of contraceptives. We had a very good NGO that we'd help to establish, very active and we had some very good leadership that was making some good, very reasonable progress.

I should mention that there was an organization we helped found in the narcotics effort which spent its time on education, publicity on getting the word out to the communities, training people—very good effort, an ongoing effort. That was a productive, rewarding effort.

Q: How were you and the embassy getting along on this situation?

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LION: I think I mentioned that I was nominated in '86 for Honduras and the ambassador-designate said, "No." So I ended up in Peru with John, who was in Lima, going to Honduras. That couldn't have happened unless the person who was going to Peru as ambassador wanted me there. Alex Watson, with whom I had worked in the '60s, he in the consulate in Bahia, and I was up in the northeast Brazil as the consul general and the AID director. So I got to Peru before he did, actually. That was only because he was able to get the Inter-American Bureau and the State Department to say "yes" even though one of their ambassadors said "no" for another assignment. He had to work on that, apparently, for a week or two. I don't know what he did but he swung it.

We were acquainted, we liked each other from way back. That helps. You can't beat that.

But, for the rest of it. It was one of the best situations in terms of embassy-AID interagency collaboration. You couldn't have asked for a more collaborative group. Alex, himself, stimulated this kind of thing. He's very open, relaxed, informal, very bright, so people respected him enormously and were fond of him. That's a nice combination.

This proposal for a regional approach that I mentioned? Was thoroughly endorsed by every other agency. The people who reviewed the proposal made some useful suggestions. It was a team effort. It was fine. That's why I think even though there are some natural, almost institutional, reasons for some sort of conflict between State Department and AID, even though that's there, if the people are of a certain sort, that stuff doesn't matter. If people get along, like each other, respect each other, don't have any hang-ups or biases and so on, there are a lot of people in all these agencies that meet that description, just as there are those who don't. If you happen to find that most of them do in the place that you're stationed at, you're in good shape. And we were in Peru.

Q: So, you later retired in Peru?

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LION: I retired in Peru. I had a differential there. It made a lot of sense to do that rather than come back to Washington and retire. My 65th birthday occurred in May. AID has been sticking itself, stabbing itself on this issue for years. I like to think I was still productive and active, whatever, and could have continued to make a useful contribution. And the ambassador wanted me to stay on. But they only let me stay on until July 1, to accommodate our two children in school.

Q: What did you do after you left AID? We might talk a little about that period.

Retirement in 1989 and consulting assignments

LION: Don't forget that Linda was still with AID. She came back and started work in something called IRM. This was '89. She went to work for IRM right away as the deputy. I guess I mostly did consulting for a while. Joined a firm in January '91, Labat Anderson, and worked there for a while as a senior type on proposals, on marketing, on occasional actual consultancies with clients, including AID. I did a couple of interesting things while I was there. I worked on an evaluation of capital projects in AID. I did a study that tried to identify what the successes were and why they were successful.

Q: Do you remember, broadly, where you came out on that?

LION: No I don't.

Q: It's on record, I'm sure, somewhere.

LION: I can show you a report, I think I can find it.

Assignment in Eastern Europe

I also did some other consulting, I took leave from the company for a few months. AID had me go to Hungary. AID sent three people—one to Hungary, one to Czechoslovakia, and

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one to Poland—to help those governments coordinate or to arrange for coordination of all the many offers of assistance from outside.

In Hungary there were at least a thousand different NGOs and PVOs that were willing to do something.

Q: International organizations?

LION: The NGOs were mostly from the United States. You had the World Bank, you had the IMF, you had the bilaterals, you had the European Union and so on. It was inundation. Hungary, under the Stalinist regime, and Czechoslovakia and Poland did not have any experience with assistance from the West. It was a real challenge and I enjoyed it.

Part of it was not only to assist the government in coming up with an approach to coordination but recommending to AID what AID could do to help in that effort. That was an interesting experience.

Q: What were the main lines of how you were dealing with the problem?

LION: I made a pretty big mistake, I think. There were some things that didn't make any sense to me. They had a unit in a line ministry that was ostensibly working on coordination of assistance to all the ministries. I suggested that, based not just on the theory of taking it out of a line ministry but on my interviews with other ministry personnel, the other ministries didn't trust this unit. Because this unit was in a ministry that could benefit from assistance. So the recommendation I made was to take it out of a line and put it into either the vice-presidents office, or the president's office or in the ministry of finance. Some place that did not have a vested interest in its own assistance.

You-know-what hit the fan and the head of the ministry of trade (where the coordination unit had been placed) informed me that they didn't bring me there to change the constitution. Apparently there was something in the constitution locating the coordination

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unit, another mistake, in my opinion, in terms of public administration. You don't put in the constitution where the hell to put an ad hoc operating office.

We had a long chat for two hours. It ended up reasonable cordially but he saw no rationale to that proposal. However, I was able to suggest things to the rest of the government that did not shake them up too much, that may have helped. The unit itself needed a different makeup of personnel, it needed more training in English. Some obvious stuff. It needed equipment. I was able to come up with a proposal for AID, that AID may or may not have implemented.

But what I found was an interesting situation. There were a lot of interesting things there. One was that the central bank handled loans and this unit of coordination handled grants. There was no really effective way of putting those things together. That was another area where proposals were very sensitive, naturally. This unit was weak. It was not trusted by other ministers. The minister of finance and the central bank were hand-in-glove, so loans went ahead without any reference to the grants, loans went ahead without any reference to technical assistance.

There were so many opportunities for improvement there. The challenge was not so much to identify the solutions, the challenge was to find ways to get them accepted. I don't think I was all that successful in that.

Another interesting thing I wanted to mention. The attitude of the embassy. The embassy was initially very cooperative. The person there who was responsible for introducing me to the Hungarian officials was quite helpful.

Incidentally, this activity was partly in response to requests from each of those three governments to our President for help in coordinating assistance. I don't know how these requests were arranged. Our government may have told them that if you ask for this, we'll respond. That may have been how it happened.

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At any rate, there was a request, in the form of a letter, to our president. That meant that the embassy, since our government responded, should try to be helpful. For the most part the embassies involved were helpful, except initially the embassy in Prague refused to let an AID person come to Prague to do this job. Initially refused. Subsequently our ambassador, Shirley Temple Black, allowed that to happen.

Q: Do you know why?

LION: I was told that she had a very bad experience in Africa, she and AID.

Q: She was my boss.

LION: She did not understand, or whatever it was. You could tell us more about that. But she did not behave well, as I understand the situation.

Q: Interesting. I will comment about that, for the record here, because our relationship and the program were going very well in Ghana and she was very supportive. But we had this unfortunate instance when Secretary Kissinger was disinvited by the Ghanaian government.

It had nothing to do with AID. But the program was stopped at that point. So I'm not quite sure that I get the connection other than that it was an unhappy experience for her because her career was quite successful in Ghana. She was well respected and the people were very enthusiastic about her. It was suddenly cut short by this incident and she wasn't allowed to return for over a year. I don't know how that connects.

LION: The impression I have is that Kissinger gave her holy hell. He held her responsible for the whole thing. She, in turn, got irritated with you and AID, or at least with AID. Because she got such treatment from Henry. That's what I was told.

Q: It was, obviously, very embarrassing for her and very difficult situation.

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LION: I was scheduled to go to Prague on this collaborative effort. But I was told that the ambassador said, "No AID person." I had been an AID person. Then finally, she relented.

But to get back to Hungary. The person in-charge, from the embassy's point of view, sort of watching out for what we were doing, apparently was not very popular with Hungarians. I didn't know that but found out subsequently. So that was part of the situation.

I talked to the ambassador, the DCM and this particular individual in a meeting after some time spent there. They wanted me to tell them what I thought the situation was like. Did the Hungarians have projects that were financable, etc. etc. So I gave them an initial report on that aspect of my work. It was suggested that I draft a cable from the embassy to Washington describing the status of the Hungarians' project portfolio. And I did. I spent a lot of time on it and gave it to this person. What went out was completely different from what I drafted. Even though, after I finished my oral presentation, the ambassador said, "Put together a cable along those lines." So it was completely changed by this person and perhaps the DCM. I don't know.

All this time that I'm there, the embassy is trying very hard to get additional slots for staffing. AID had a kind of an ad-hoc, interim, temporary rep there. They did not have a mission, they had one person. But they were in the process of preparing to staff up. They brought in a personal services contractor there, an ex-executive officer type, to recruit local staff. To interview, not to hire, them but to get them ready to put them on when the mission was created.

The embassy got very angry with the executive officer for interviewing candidates before the embassy got one or two more slots out of the whole process in Washington. So they were holding AID up so that Washington would cooperate with additional slots. The DCM threatened to PNG the contractor who was trying to prepare for staffing up the AID mission. I found that unforgivable, unacceptable. An example of the worst of the few people in State who consider AID to be second-class, second-rate, inferior. And, who

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would sometimes—this is a rare situation, this is not just characteristic—but sometimes US foreign policy objectives are subordinated to other things.

The assistance activity was a high-priority for the US government in Hungary, at that point. But not for the American embassy there, I am sorry to say.

I also found out another thing. The DCM had a name that harped back to American history. I had, at one point, referred to him in somewhat critical terms because of how he was working with me, not working with me and what his attitude was towards some of the issues. Namely, holding AID hostage to getting more embassy slots. It bothered me that this important program was being held up for that reason. That critical comment got back to him. That was not good. Word was sent back to Washington that Donor was spending all of his time in the embassy, not doing his job, etc. The AID bureau chief wanted to pull me out but fortunately she got some advice to wait.

Just at that time, the US sent some people there to negotiate a ten million dollar program with Hungary and while there to look at my alleged malperformance. It turned out that the guy who came found out it was nonsense. I had an office in a Hungarian ministry building. I spent most of my time there. I spent most of my time interviewing. I would come to the embassy almost everyday after five o'clock., have dinner with the one AID person and the contractor who was trying to recruit. Fortunately, the misinformation about my performance was corrected.

I did not have a totally happy experience with the embassy in Hungary. As I say, that's not typical. It happens. It's unfortunate.

Incidentally, the other, the ambassador in Poland, apparently, was very helpful and cooperative and supportive. Also, I imagine that after she got over her initial, "I won't have any AID people there," Ambassador Temple was helpful and supportive.

Q: After Hungary did you have any other assignments?

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LION: That was part of the consulting that I did. I came up with a proposal for AID in Washington, as well, as to what the Hungarians should do. I got along very well with the unit itself. We ended up being very collaborative and friendly. They gave me a wonderful good-bye party. They drew up a nice cartoon, which I'll show you later today, for me when I left.

Went back to Labat and did some more consulting.

Q: Did you have any comments on that ten million dollar program they were talking about? Were you involved in that process?

LION: I was not involved in that. That had been decided on before I got there. That's the technical assistance I was suppose to be part of. I did a consulting job with another firm, a personal services contract separate from the Labat work, for Robert R. Nathan and associates. It was an ag-sector policy job in the Dominican Republic which I enjoyed a lot.

A year or so before we left for Bangkok.

Agricultural sector program in the Dominican Republic

Q: Was there anything particular about that ag-sector program you were trying to do?

LION: The thing that seemed to me most striking about that, in my mind, was the president of the Dominican Republic. This man had been re-elected several times, was virtually blind, very autocratic. While he was president I didn't see them really attacking their major problems. They had serious environmental problems. Their forests were ready to go. There was a lot of land spoliation, pollution. The sugar industry was in tough shape and it was a major earner for foreign exchange. They were having interesting success with the free enterprise zone, trading zone.

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It turned out that one of the things that I re-learned, one of the things that I had known when I was an AID person, was that you can't do an ag-sector policy program unless you do a policy program for the country. For the economy as a whole. You might want to, there may be some things you could propose that may be independent of what you should be doing in the economy as a whole. But I don't think you could have a successful, any sector industry, agriculture, health, education without putting it into a broader perspective. That was the case, at least, in the Dominican Republic.

Q: Can you give us some example of the relationship?

LION: Well, you had to look at your whole investment budget and obviously you had to look at how your individual pricing policy affects income distribution, economic activity. You have to look at the export sector. You really have to take a much wider look.

I don't know this but I suspect that, although I'm sure that many of our sector studies are trying to provide a broader perspective, it may not have been adequate in many cases. There were other sectors that impinge on the agricultural sector.

For example, what do you do about migration? The people who were leaving the DR came from the rural areas into the cities and then out. There's a lot of that. That's part of the whole problem. That's part of the whole scene. It's something you have to look at.

Anyway, it was interesting and I think we did a good study.

Q: Do you know what happened to the program?

LION: No. It's one of the curses of being a consultant. You go from one job into another. It's even a partial curse for those of us who have been in the AID business itself in the missions. After two, three, four years then you go on to something else. It's hard to follow what you have been involved with. You're full time absorbed in your next job.

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Q: You said after this you went to Thailand.

LION: Before that, I taught for a semester at The American University, a course called "Development Issues and Policies."

More on Peru

I should say something about Fujimori, the Peruvian president. When he first threw his hat into the ring there were two candidates of importance. One was Peru's outstanding writer in literature; the other was the incumbent president. Sorry, not the incumbent but someone from within his party. It was clear that the opponent of the APRISTAS, who was a reformer, was a kind of candidate that the US government would be very happy with. It looked like he was going to make it. Even though he was from the elite, clearly didn't identify comfortably with the poor and the common man, but sympathetic. He was talking about IMF and World Bank reforms and stuff like that. Looked like he was going to make it.

Along comes Fujimori and he throws his hat into the ring and an early poll showed that about 5% of the people knew about him and would support him. But he won. He won because people could identify with him, the masses, the poor, the majority of the people could identify with this guy. They didn't like the Apristas because Peru had gone to hell in a hand-basket with it. They couldn't identify with the elitist moderate reformer either.

So, Fujimori who had been thought to be, from his campaign, a person who would oppose the reforms that the reforms candidate was promoting, ended up accepting them, buying them when elected, and instituting them in Peru. It was really an amazing turn-around.

Q: Were they good reforms?

LION: They were important things to do.

Q: Such as

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LION: Prices was one of them. An aspect of this fellow's government was that he was pretty arbitrary, pretty dictatorial, especially with the congress, which he eventually disbanded. He arranged for elections and his people got elected. Along with the economic reforms, there were some political changes which were not exactly in the democratic tradition. However, the press remained fairly free in Peru. You had an anomaly of a very popular dictatorial type of president who had been freely elected, adopting reforms that seemed to help Peru recover.

He also acted effectively against the Sendero Luminoso. The head of it, the founder of it, was captured. Today Sendero is still alive but not well and not nearly the threat it used to be. There is another terrorist group which recently took over the Japanese embassy. It never really was a major threat and it still isn't but it's also alive.

I wanted to throw that note in on Fujimori. He put Peru on the appropriate economic reformism path; he was responsible for somewhat questionable political development; and, he was effective against the major terrorist group. Unfortunately, the narcotics problem is still apparently very serious.

Economic reform and democratic government

Q: Do you have any general view about the relationship of liberal economic policy and the need for democracy or the lack of democracy in terms of promoting development? There's been a lot of discussion these days that the authoritarian governments are needed to bring about reforms, to bring about the growth and so on.

LION: I once did a column in The Bangkok Post on this issue. Does economic reform require a totalitarian government? There are so many points to be made on all sides of this discussion.

I think that an authoritarian government can, in the short run, be more effective than a democratically elected government in introducing and enforcing reforms. But, I think in

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the long run the reverse is true. I think that in a long run the authoritarian government will cease to be interested in the national welfare because of what happens to people who are in power after a while. One of the original thought behind this is something that we all remember, "Power corrupts and absolute power corrupts absolutely." That happens all the time. Even those who are freely elected can be corrupted and not just outside of the United States.

Q: Right.

In Thailand, you had some projects there you were working on?

Work in Thailand with government institutions and UN agencies

LION: In Thailand there were, I guess, two major activities that I got involved in. Linda was the USAID mission director. It was a regional mission and not a bilateral one because the bilateral program had been terminated on the grounds that Thailand no longer needed assistance. That, by the way, is in so many instances premature and a mistake, in my opinion.

Q: Why is that?

LION: Just because a country has a favorable balance of payments or just because it's macroeconomic growth rate might be as high as seven or eight percent a year, as it was in Thailand for the previous decade, does not mean it is not a substantial needer of collaborative technical assistance, not economic assistance as much as institutional assistance, working with the NGOs, working with the so-called civil society, training activities, helping environmental legislation, planning. All those things that take decades to develop to a point where assistance or collaboration with others is no longer needed. Thailand is now in economic crisis, by the way. There is some doubt whether they'll grow at all this year. There's some expectation they'll decline. Foreign investment has stopped, just about, right now.

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Anyway, it was a regional mission that would help other missions in the region with legal, contracting, procurement and administrative and program services as well.

USAID/Thailand tried to help the mission in Mongolia. It was quite a chore to do it from Bangkok. Sri Lanka, some work. Nepal, some work. But the big one was Cambodia. That mission really needed and received most of Linda's attention. There were some regional projects that involved several countries. She was very busy. In the second year, she was informed that they were closing it, so she was very busy doing that.

I was working. I had two major activities while I was there. One was an activity that started in November of '94, a few months after we arrived. That was to work with the National Institute for Development Administration. It was a graduate university, apparently well regarded and one of the better institutions in the region, not just in Thailand. Teaching, training, working with the private sector, teaching in communities and so on. Eight or nine regional, within Thailand, spots where the faculty did some work. I was working with the vice rector for international affairs and planning. A wonderful lady. She was trained at Berkeley, her undergraduate and graduate degrees.

Q: Had AID been involved in creating this institute?

LION: Yes, it had helped finance it years before. So there was a kind of connection.

I had to do what she wanted to do whether it was to plan a program for NGOs, or to plan a bilateral technical assistance program with the planning agency in Vietnam, whatever she wanted me to do I would do.

Q: How would you define development administration in that context of the institute at work?

LION: They taught a lot of things that people who worked in development would find useful. Whether it was statistics, or computers, or economic development stuff. I would say

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it was a fine institution but it tended mostly to provide people for the private sector rather than for the public sector. That may be partly because the private sector was just zooming in Thailand. It had grown enormously in the past ten, fifteen years. And the public sector wasn't competitive.

Back in the late '60s, Thailand and Burma were on an equal level when it came to per capita income. Now, Thailand's per capita income is several times higher than Burma's. Thailand was one of the miracles of Asia. The Tigers: Thailand, Hong Kong, Singapore, Taiwan and South Korea.

The Institute's economic development teaching was a little weak, in my opinion. The faculty, it was a competent faculty but I found that many of them were interested in private consulting more than they were in their own work at the institute. I found that there was not much of an institute esprit. I found that each one of them was sort of out for him or herself. Not each but a number of them. And yet, it ended up being a quality place, doing a good job and providing people who would work in the private sector—banking, marketing, and so on.

Q: Was it supported by the Thai government?

LION: Yes, it was a government institution. There were a number of secondary higher institutions of learning that were supported by the government. Which meant it did not have a surplus of resources. The Thai finance ministry, and the whole approach to budgeting, was very conservative. They insisted on retiring the debt rather than using at least part of the budget surplus for education, which they should have been doing more of; or for environment stuff, which they should have been doing more of, in my opinion.

The Thai development rhetoric was the best in the solar system. Planning people were fantastic in how they'd describe what Thailand ought to be doing, what the priorities were and so on. In the previous two five year plans, they talked about reducing the inequities in income distribution; and the inequities between rural northeast Thailand, which was

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a poverty stricken area, and relatively well-to-do Bangkok and some of the larger urban areas. But they didn't really do what they said ought to be done. They had the best rhetoric in the world, impressive theoretical planning but the implementation was weak.

That leads me, of course, to the other thing that I was doing, which was for almost a year, working with the UNDP in Bangkok as a consultant under the supervision of the head of the UNDP and his deputy. I was charged with managing the United Nations systems cooperation with the government of Thailand in its next five-year development plan, which was 1997 to the year 2001. That's where I discovered how great they were in describing where it was should be done.

The previous two plans talked about reducing and eliminating these disparities and inequities. But I think, in fact, there were more poor people in Thailand when I got there than there were in the previous, say ten years earlier, when they started talking about this. And something like 20 to 25 percent of the population were in poverty.

Q: Why was that do you think?

LION: Why? Well the area that needed the attention wasn't getting it, which was northeast Thailand. The agricultural sector which needed priority attention wasn't getting it. Also the rural and urban environments were deteriorating rapidly. I think that Bangkok may be one of the most polluted cities in the world. Bangkok is terribly crowded, heavily trafficked. The average car speeds along at four miles an hour in Bangkok traffic.

There's also a diversion of funds from the federal budget. Or the substantial misuse of funds for one reason or another. It was estimated in a study of corruption in Thailand that as much as 25%-30% of the budget was improperly used, diverted, whatever. This is a serious problem in Thailand.

Corruption in Thailand problem is a serious problem. It's also difficult to talk about it in Thailand because it is regarded as a patronizing approach by moralistic westerners who

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do not understand the culture. In Thailand there is a cultural phenomenon that involved gifts. Expressions of friendship, affection and gratitude. That's what many Thais insist on what is happening. But there are others who recognize that it's not just western inability to understand the culture. There are some serious corruption problems. That contributes to a failure to implement, to move effectively towards their certainly commendable development goals, a waste of resources and a diversion from democratic political development.

The financial system is in trouble, the stock market is in trouble, the banks are in trouble currently. The economy is suffering from lack of investment.

One of the major problems the Thais had, even when things did not look bad, was that they did not have enough trained people. They needed to spend more on education and they needed to start early. In fact, when we got there, the mandatory educational time was through the sixth grade in elementary school. By the time we left they had raised it to the ninth grade. But that obviously has to be strengthened and all the way up so that you can produce people who can handle today's requirements, technological requirements.

You know the expression, if you want to compete in the global economy you've got to have people who can do that. They didn't have enough. That's one of the problems that most foreign investors were aware of.

The other major problem foreign investors were sensitive to, was the traffic problem in Bangkok. It's really interesting that a country's economy can be choked and adversely affected by the number of Mercedes Benz driving in the streets.

Q: The congestion is terrible.

LION: I ended up doing a lot of work with the UNDP, with the UN system. The UNDP was the quarterback of the UN system, and it's supposed to be a coordination unit within the United Nations. There were 17 different UN agencies in Bangkok. Just mention almost

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any operation of the 17 agencies and they almost all had something to do with Thai development and with the planning effort.

But trying to get collaboration was very difficult within the UN system. Trying to get the UN system to function efficiently in this kind of activity was virtually impossible. Each of these agencies had different financial regulations. They could not make a contribution to another agency's program, e.g., this planning effort. What we ended up having to do, I had to work with each of these agencies' people to get them to hire somebody to pay somebody to do something that would involve collaboration with the Thai government. Impossible.

For each of the agencies, the manual order for financial controls and activities and what they could do and couldn't do, seemed to be written to assure an inability to integrate and to collaborate efficiently. That might seem like an overstatement. You can put it another way; they were meant to assure the sovereignty of each agency. You can put it that way. When you do that, you make it virtually impossible to have a commonsense approach to unity and efficient and effective coordination. Also, there was an obvious rivalry among some of the UN agencies, something the Thais naturally could exploit.

Q: How did you find working for UNDP?

LION: I would say, how did I find working for the UNDP in Bangkok. I don't know where it is elsewhere, I can't say.

In Bangkok it was a challenging experience especially since I had to earn the respect and cooperation of other agency heads. They weren't all willing to accept UNDP leadership and even less so, a UNDP-hired contractor. I had a mixed experience. I ended up involved in something that I knew intellectually would be difficult but it frequently was fun.

I got along very well with the one I was suppose to work with day in and day out. He was one of the deputy directors there. He would agree on a draft of something I wrote. He

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would make a few suggestions. Or he would agree on a certain initiative or an activity. And then it would be over-turned by the other one, the UNDP head himself.

Q: This was all focused on supporting the government's planning effort.

LION: Yes. So, that didn't work out very well, having those two different bosses. There were some other problems there as I've implied.

One of the things that I noticed was that the Thai professional people were very jealous of their positions in the unit. The head of the UNDP did not ever want to, it seemed, confront them in any way. If they weren't performing well, it was not really dealt with adequately. It seems to me that's a potential problem anywhere you have the host country nationals playing an important role in an activity.

Q: From the UNDP side.

LION: I'm just thinking in general. I'm thinking now about our own missions where we've always had, over the years, important foreign service nationals, host country national, presence and roles. In fact, in many cases, they were actually indispensable to effective operation. Not only being the memory and whatnot, but some of these people were excellent people as good or better than some of our own US direct-hire and so on. But I don't remember running into that problem of not feeling like I could deal with non-performing host country nationals. I don't remember that at all in the missions I was in.

But the UN is, in general, a different kind of agency. It's owned by the foreign governments. That may make the difference in how you deal with your host country staff. In any case, there were people who weren't performing there, or who were performing badly, or they may even have been performing in a way that was antithetical to that agency's work. Some of them may have been performing better for the government of Thailand, if you know what I mean.

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So I found out, as an important experience, I'm aware of areas where reform is desperately needed. As a development aggregation, the UN could do a very, very important job and maybe is doing well in certain places. But based on my experience in Bangkok, I see a significant opportunity for reform and improvement, and saving money.

Imagine, you have 17 different agencies in Bangkok. One development agency, or perhaps two or three strong units which would certainly be more efficient. Maybe because of the politics of it you should keep units separate. Maybe. But can you imagine having 17 different agencies, most of which have something to do with development, to try to do a systematic, organized, cost effective job for the country? Impossible.

Q: And each one wants to fly their own flag too. I know that well.

LION: And they all didn't have the same geographic mandate. Some of them were regional, some of them were just Thailand, some were both. It was just really an eye-opener for me.

Q: That was your last?

LION: I also did a month's work spread over several months. I was helping a securities NGO, an association of securities companies, to produce their periodicals, their reports, to participate in conferences. I helped them to prepare their materials, and edit them, and help write them. I did that for some time. That was fun.

Concluding observations on international development

Q: Let's move to a more general discussion. First, having all this rich experience, and so on, are there any thoughts of universal lessons that come out of your experience about what works, or what's the way to approach the development process?

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LION: I don't think I can add any wisdom to what all of us have learned over the years in this business. They can't do it unless they want to do it.

Q: *Okay.*

LION: Even if they say they'll do it, if they don't really want to. I mean we make a 300 million dollar loan to Honduras to be spread over a few years provided they devalue their currency. They say they will and then they don't. But they did get that initial tranche of, say, 15 million dollars. The same thing in eastern Europe, now central Europe freed from the Stalinist regime. Romania and the IMF will agree on a program. Romania will promise anything but then they won't do it. At least that happened a few years ago.

Q: *How do you approach a problem like that? How do you do it differently?*

LION: You have to wait until they really want to do it.

Q: *How do you know?*

LION: How many things are certain in this world, Haven. I mean, you make your best judgment, your best guess, your best estimate. Whatever universals are there in our business? It takes years, and it costs money, and it should involve continuity. All of those things we haven't fully understood and lived up to all the time.

In fact, little of the time do we stay in there for the long pull; do we put in the right amount of funding; do we appreciate that we can't do it in five years on the cheap. It seems to me that one of the mistakes that some of our excellent leadership on the AID side, years ago, was to say that, "The test of success is in getting out of the country." What that did was to put pressure on AID by AID as well as invite pressure from others to get out, even before it made sense. I think we got out of a number of places before it made sense.

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But made sense from what point of view? From the development point of view? From the US foreign policy goals point of view? From a political point of view? I mean, from the political point of view, it makes sense to get out as soon as you can everywhere. Because AID does not have a strongly supported domestic consensus, constituency kind of effort.

So what does that mean? It means that one universal about this thing is we have never really communicated to the American people in a way that they would understand why the economic growth and development of the Third World is one of the most important priorities in the foreign policy arena. One of our most important national interests. Never.

The Marshall Plan was popular. But not to begin with.

Q: It took a lot of selling.

LION: It took some selling, and very hard work in the Congress and very hard work afterwards. If it weren't for some of these outstanding people in both parties who really took up the cudgel for foreign assistance, for assistance to the Europeans under the Marshall Plan. But the Marshall Plan became popular and right now it's the most popular foreign program that the United States ever got into. Celebrations all over the place.

Q: Was the Alliance for Progress a successful program?

LION: That was popular for a while but I don't think simply because it seemed to be understood to be in the US interest for Latin America and the Caribbean to develop. It was partly because of the person who proposed it. It was so popular. John F. Kennedy and all the charisma that went with him. There was kind of a halo around the Alliance for Progress program.

Incidentally, I wanted to say something about that, Haven. You asked me what was behind the program. I stressed that it and the Marshall Plan had one thing in common with respect to motivation and that was the communist threat. I should have also mentioned

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that Pan Americanism, US fraternal collaboration, friendship with countries in the western hemisphere was an important part of the US attitude in the foreign policy scheme of things. Franklin Roosevelt tried to promote a Pan Americanism and there was a Pan American movement and so on. So that was part of it too and should have been mentioned.

Q: You made a lot of points along the way about the education and training dimension as being an essential part of the program.

LION: I think the universal, if you're looking for one there, human resource development is the most important thing in any country. I think it's even more important than, and in fact contributes to appropriate policy. Without a decent policy, you might be able to go ahead in individual areas, sectors, or companies, sub-regions and so on but you do need good economic, monetary, fiscal and institutional policy. One of the things that makes that possible is human resource development. Those are for me the two most important things in the development business.

Another thing will probably come out of that, is an appropriate public sector, private sector mix. There is, it seems to me, a terribly important role for government and a terribly important role for the private sector. Getting the balance right is critical.

Q: How do you define what the roles should be?

LION: It depends on each sector. Take the environment sector. The government, it seems to me, has to set standards. It has to provide for monitoring, it has to provide appropriate incentives. The private sector has responsibilities to the community as well. It has to adhere to the law. In fact, where ever possible, it should voluntarily initiate important environmental activities. There is a role for both in that sector. It's not too difficult to define there.

We're talking about the health and safety of people, that's clearly an important government responsibility. But that doesn't relieve the private sector of similar responsibility.

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In each sector there are appropriate roles, an appropriate balance, an appropriate mix for these public and private sectors. The mixes and balances are going to be different, have a different texture, depending on the sector. That seems to me to be a part of the universal, too, that you might want to come up with, you might want to talk about.

What about civil society? I think that it is absolutely critical to develop in each country a strong, active, effective NGO, PVO civil society community. Unless you say that's part of the private sector and you cover it by talking about private sector and public sector, you cover that aspect of it then. But I think it's important to separate the NGO, PVO civil society.

When we talk about the private sector, what I am thinking of mostly is the business sector. The companies that are out to produce and serve in order to make money. The NGOs are obviously not that. The PVOs are not that. The civil society which includes institutions whether it's the press or the judiciary, local institutions, governmental institutions that are at the local level or semi-private, semi-public. All of that is not quite the same as trying to maximize profits. Invariably, because of the nature of the free market, and the market mechanism, and profit as a major objective, there will be occasions where there's a conflict between the public interest and the private interest. There'll be areas where neither the public nor the private sector can really perform as effectively as an NGO or PVO, etc.

That's another part of the universal that you look at in the development business. It seems to me, this is how you can help this sort of thing in the Third World, in the developing world become a vital part of a whole society.

Q: In another dimension, one of the core experiences that you mention is the interaction of US foreign political security interest and our developmental interest. Do you find that they are mutually supportive or do they work at odds? Are our developmental interests compromised by our political objectives? How do you assess that?

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LION: I always felt and was always motivated by the belief that the economic health of the globe, that meant primarily a concern for the poorer countries, was critical to the United States interest in peace and prosperity. But I, we, did not always find in our business that people in other agencies were as committed to that belief. That development work was in the highest US interest in the foreign policy arena. So, trying to help a governor in one of the states or the country we're in, trying to prop-up a regime in one way or another, in other words short-run kind of stuff, would sometimes take a high priority for some of our government leadership so that was something you had to work out, to work on, the best you can.

To me, the best ambassadors were always those who did not try to intrude on the basis of short term political objectives in the whole allocation process, in the project selection and design process, in implementation of the program. Fortunately, there were a number of those.

Q: Do you think the AID instruments were useful to achieving political security, short-term political security interest?

LION: Oh sure, we had a kit bag of tools that we could bring into play that would help in the short-term. This is one of the reasons why I am a little concerned about the push to integrate AID, or to make it disappear, and make the activities that AID is responsible for a part of the regular routine State Department activities. I am fearful, even now, this limited connection, namely that the AID chief will now report to the Secretary of State. He has been doing that for years already. Especially now, Haven, when the State Department is in such trouble on operating expenses. They're looking very hard for admin money and the place they can probably find some is in the AID budget.

Q: Looking more broadly, do you think that over the years foreign assistance, development assistance, whatever you call it, have made a difference in the world? Has it been effective? Has it accomplished anything?

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LION: Yes. Even though we've stressed in our conversation together the importance of recipient will and appropriate policy, etc., etc. There has been enough of both of those, it seems to me, so that our assistance could be, and in many instances, was effective. I mentioned that I thought the Alliance for Progress had a major impact, long-run, maybe not immediately observable in helping the Western hemisphere to move towards democratic government. I know that elites still exist but they're less important than they were, they're less influential. Some of the bad things there's a lot less of, and so on. There's still a long way to go. Haiti is terribly poor. Some of the Caribbean countries are in serious trouble, as well as some of the countries in South America, Central America.

But I think the Alliance did make a difference. There was enough of a policy will in these countries and enough sensible things that were done. But not nearly what we had hoped. Haven't we been congratulating ourselves about the Marshall Plan? It's a very different situation, for the most part. We're not talking about the Third World there, for the most part. Although there were some serious developmental problems in Spain, in Portugal, and Yugoslavia and Turkey. But, when you have a country which already has a developed banking system, a developed educational system, a developed marketing distribution network, a developed infrastructure, power, electricity and roads, and when you have people who have been trained for generations to handle all these things, it's not as difficult for your external assistance to make a real difference. Assistance for recovery and reconstruction is easier to be successful than for development.

Q: Are there any lessons from the Marshall Plan experience or is this totally unique and special for that situation?

LION: I think that I mentioned that one of the things we learned from the Marshall Plan, that even in that kind of a situation, you can't do it on the quick and you can't do it on the cheap. Those seem to me to be terribly important lessons. What we know about what worked in these developed countries, helps to illuminate what we need to do in the developing world. So if you extract lessons from the Marshall Plan, it says: people,

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institutions, legislation, policy. Those are the things that made the Marshall Plan effective. Political will and all the other things. That's what you have to try to promote and identify when you're in the development business.

Q: In which of the major program areas do you think the foreign assistance program might have made a useful contribution?

LION: I think we probably did technically well in agriculture. I think we did help strengthen agricultural institutions, universities, even in ICA days which was in the '50s. There were a number of institutional connections which I think made important differences to the quality of their education.

One of the things I found though that while it may have changed for some time, the change necessarily did not hold fast. There was deterioration afterwards, after the departure of the US institution and so on. This is part of the continuity question that I was talking about. Even if you have a ten-year grant, which is what a lot of our university stuff was, at the end of ten years you can have a relatively well-trained faculty, a pretty sensible curriculum, a reasonably well-managed institution. Then, the six, seven US university personnel leave. What happens? Budgets are inadequate, people leave.

But I do think we made a difference at least in many instances in agricultural education, and in the technology of agriculture. It was, I guess, some US assistance that helped stimulate the green revolution in agriculture. The research in wheat, the research in rice. It wasn't entirely beneficial, by the way.

One of the interesting things that you know about, probably more than I do, that happened in agriculture was that the miracle wheat became profitable but only if you would invest heavily in fertilizer and water. What that meant was that well-to-do farmers were able to buy up the land from the poor farmers. It also meant that miracle wheat was substituted, in many cases, for a crop that was more vital to the health of the poor. I am talking about lentils in India, where a major source of protein was cheap domestic lentil. A marvelous

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food but it didn't make as much money if you grew lentils as if you grew miracle wheat. So the green revolution itself was not free of negatives.

Q: Are there other program areas that you can think of?

LION: Besides agriculture. I know that we did some good work in sectors that I was working in in various countries. We did some very good work with vegetable oil stuff in Pakistan in helping to rationalize and improve production, reduce imports of a major import bill, as I mentioned the last time we talked. That was also related to agriculture, wasn't it.

Education, I think we probably did some valuable things there. But, again, part of the universal that you're looking for is, what AID did and what other countries do, that may be the most important thing is training. Whether they're training in the host country itself, or whether they are training in the Third World, or training in the donor country. Strengthening the human resource sector in each of these countries is the most important thing, in my judgment. That's something that we did generally pretty well.

Q: What about, given your background, education and so on, what about the macroeconomics policy, understanding reform change?

LION: I think part of the approach to policy over the years has been too theoretical. When I'm saying our approach, I mean the donors' approach. I'm thinking of the Bank, and the Fund, as well as ourselves. It was too often black and white. Structural adjustment programs of the Bank really started in '79, '80. Most of these programs during the '80s failed. The Bank says so. If you look at all of the Bank evaluation reports and literature, you will find that a lot of the researchers and analysts in the Bank were writing pieces of paper that said: "We're not doing it right."

By that they meant the impact of the structural adjustment programs was great damage on the poor. There is a lot of material on this, namely the impact of structural adjustments programs on the poor in these countries, written by the World Bank. By the middle and late

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'80s, they were beginning to say: We've got to do it differently, we've got to do something that allows these reforms to proceed. If you don't mitigate or fend off the consequences on the poor, whether its employment or health, that means the programs won't be supported and the governments will drop them and so on. There began to be an appreciation of the need for social safety nets of some sort.

Q: Did AID have any role to do with this or US foreign assistance in that process?

LION: For one thing, I don't suspect we had a major role here. We, ourselves, could not finance structural adjustment programs. We may have been putting pressure or lending our support, I should say, to these efforts, but these efforts were defined primarily by others, not by AID. Furthermore, it became so popular in the '90s, before the '90s, in the middle and late '80s, AID trumpeted macroeconomics policy as the most important priority of the agency. In my judgment, again, without appropriate understanding of the impact in that country on the poor.

Structural adjustment was part of the course that I gave in American U, and then lectured on it when I was in Thailand, I also lectured and wrote articles on the whole structural adjustment process and what you need to do. There's so many different ways of trying to help mitigate the adverse effects on the poor of various price regimes or foreign exchange regimes or expenditure regimes.

In the beginning, the first thing that the Bank and the IMF wanted to do, almost automatically, in every case was to cut federal expenditures and to cut the payroll. Okay. But how do you reallocate? And how fast do you do these things? Do you do them two years, three years, four years, five years? There is a school of thought among structural adjusters that said: Do it all quickly because if you don't, you will give time for the opposition to organize and fight you.

But, the impact of doing it so quickly was disaster in many cases.

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Q: But they would argue though that it would be worst for the poor if they hadn't done it.

LION: They could, sure. But why does it have to be either or?

Q: Any other dimensions of the foreign assistance effort that you thought were significant?

LION: Well, if I had to do it all over again, if I was the good Lord, I wouldn't call it foreign assistance.

Q: Okay, what would you call it?

LION: Some fancy shmancy phrase that would make it clear that it was self-help.

Q: Okay.

LION: Which is what it is.

Q: Mutual cooperation or something?

LION: It was called that, Mutual Security Agency, at one point, MSA, way back. It was also called the Foreign Operations Administration, FOA. Did I mention that the word in Norway, operation, was op-era-zione which means surgery? They used to call it Marshall Help.

I don't know what to call it.

Q: But it's mutuality, is what you're after?

LION: At least that, yes.

We wouldn't have done it unless it was in our own interest. Individuals may be humanitarian and selfless, from time to time. But nations never.

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Q: Do you think that the AID foreign assistance program, had a role in pioneering in development areas over the last twenty-five years?

LION: It seems to me that USAID has been at the forefront of almost every new important development initiative. We talked about the environment. We talked about population, about WID. In all of these areas, and the whole private sector, market orientation emphasis, we were leaders and others followed, including the World Bank. I think it took a long time for the World Bank to get around to Robert McNamara's recognition that population was an important issue. It took them so long because they felt it was a sensitive local issue and they wanted to stay away from it. But they finally did.

Environment was something they came late to also. Because the Bank is not an independent organization, it's owned by governments.

Q: You've alluded to this but, of course, the phrase of the day is, democracy and governance as being critical. Did we recognize that that sort of thing was necessary twenty-five years ago?

LION: No, I don't think we did. What we recognized twenty-five, thirty years ago is something called participation. The participation part can be, may be, should have been earlier applied also to the whole question of governance. It was not, initially.

Q: Why didn't we take more interest in the importance of that?

LION: There's something about interfering in domestic political affairs. Part of the US psyche and culture is against that. But part of it is not. I think there are times when we are perfectly willing to do that, maybe in excess.

Incidentally, the other bilateral donors are less eager to get into this governance business than we are. We got into the governance business sort of like putting your toes in cold water: you do it very cautiously. We talked about reform of the legislative branch in terms

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of computers, libraries and management; reform of the judiciary in terms of a better courtroom facilities and equipment for the judges and the clerks. We sort of eased into it. We got into it in the next phase in trying to ensure free and democratic and fair open elections.

One thing that we have not touched on, but sure as hell ought to think hard about, is corruption. Because while there's some little truth, little truth, to the notion that corruption is lubricant to development, which was the rationale in the late '60s or early '70s in some of the literature, it is such an ambush of scarce resources that could go for other things that are of interest to the development of the country. That is something we ought to take more seriously. And there is a strong connection between corruption and democratic governance.

The problem is that now that we are not so significant in most of our countries, we're maybe even a minor bilateral donor in some of these countries, and certainly our resources are less than ample, now that we're in that situation rather than the one we were in twenty-five years ago, we're less able to do something about this. It's also difficult to know what to do because trying to talk about this may be culturally indefensible, as in Thailand, as I mentioned.

But, doing something. What is doing mean? You certainly can't change the laws. So what you have to do is whatever is acceptable in the host country that raises the consciousness of that country and the will of that country to do something about its own corruption problem. Of course, I don't have all the answers. I haven't developed any program in this area.

But, it seems to me that it is a significant area in the whole governance field, widely defined. That's part of what may be important to do in the future of development work.

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Q: Let's wrap up with a few comments. How did you find your career in foreign assistance or whatever you call it, mutual development, in AID? Was this the kind of career that you found effective, successful and useful?

LION: There were some ups and downs but I loved it. I loved it. I felt that being a mission director in a country was the best job in the world. If you had a government that was a collaborative partner. If you had a Washington that was helpful. If you had a decent ambassador.

Q: Quite a few "ifs."

LION: That happened a number of times. I was especially pleased at those places where I felt that the embassy and AID and the country team were really supportive of each other. Where AID was regarded as an arm of the US government, of the ambassador and not just another section in the embassy, reporting to the economic counselor. That happened frequently, so that was good.

I loved the combination—consul general and chief of the AID program—in the northeast Brazil job. I saw there how wonderful real integration, cooperation would work. But only if the AID person was the boss! That's not true, I'm just joking.

Q: What about the quality of your colleagues, the people you worked with?

LION: Wonderful. Especially at the beginning, especially in the early years. I felt that the people in Norway in the '50s were great. The colleagues there were exemplary. The Alliance days, very high quality, very high quality. I thought we had the best people in the world of any development agency, bilateral or multilateral. Maybe not as theoretically well prepared as some of the people in the Bank, or the Fund in the economics field. But better as practitioners than anybody else. And having field missions was critical.

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What I noticed over the years was a decline in the quality of our staffs. The decline in the quality of our managers. I don't mean necessarily the AID administrator, but the senior management.

Q: Why do you think that's the case?

LION: I think a lot of things are happening. AID has been battered by the Congress. AID batters itself. It does stupid things. We have a whole bunch of administrative requirements that make it quite sure that qualified people leave. They leave because they have to. Retirement at 65. Or they leave because they haven't been promoted after a certain number of years at grade. Some of them ought to, clearly. But, others ought to stay.

So what you have these days, in spite of the fact that my wife is a senior manager, and there are other very high quality managers, is a dearth of truly qualified senior managers. A shortage, a serious shortage. People occupying positions who would never have occupied those positions years ago. Do you agree with that?

Q: I think it's a very common comment from all the interviews. Partly, I guess, it relates to the points you already made earlier about, there is not the kind of atmosphere, environment, that makes this important.

LION: That's right.

Q: Like the Marshall Plan, like the first days of AID, like the Alliance and so on that gave people a great sense of mission to want to join in.

LION: It's very hard to motivate, mobilize human beings in an effort that is not threatening them. Like the Marshall Plan, like the Alliance for Progress, like War. Mobilizing for peace and prosperity is a little different.

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Q: Would you recommend someone going into the international development business these days?

LION: If a young person came to me, I would describe the situation fully, factually. I would probably say that as a training experience, as an overseas experience it's certainly worthwhile for a while. But I would not recommend a long term career in AID. This version of AID that we now have. Morale, everybody says, is very low. All of us who have left it say: Gosh, there must be a better way.

Q: Right.

LION: Only if there is a better way, would I recommend a long term career. I wouldn't recommend to my children that they go into the AID business these days. It's a shame because it could be, and it was for me, for so long, a very satisfying experience.

Q: That's a good concluding remark. Thank you for an excellent interview.

End of interview